WHAT HAPPENS AFTER THE STOCK MARKET FALLS?

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Buy low, sell high. Even if you know nothing about investing, you've heard this phrase before. With the S&P 500® Index 20% off its highs, investors have an opportunity to execute on the first half of that statement.

As stocks decline, they become more dangerous in the short-run but more attractive over the long run.

In order to show this, I made a table below that shows the average returns over different time periods based on how far stocks are from their high. The data is from the S&P 500, price only, going back to 1950. Returns one year and over are annualized, so in order to show an apples-to-apples comparison, I left three month and six month returns white.

Percent From High	3 Months	6 Months	1 Year	3 Year	10 Year	20 Year
0%-5%	2.0%	4.1%	8.3%	8.3%	6.6%	6.1%
5%-10%	1.8%	3.6%	7.1%	6.8%	6.4%	6.5%
10%-15%	2.2%	3.6%	7.1%	6.7%	7.6%	8.0%
15%-20%	0.9%	1.7%	9.3%	5.7%	8.5%	9.1%
20%-25%	1.3%	3.5%	9.5%	8.4%	7.9%	9.0%
25%-30%	2.4%	3.8%	8.4%	8.5%	6.9%	9.6%
30%-35%	5.2%	8.6%	13.7%	9.3%	7.0%	9.0%
35%-40%	1.7%	7.8%	14.0%	9.5%	7.2%	9.5%
40%-45%	4.6%	13.7%	23.8%	12.2%	8.2%	9.9%
45%-50%	8.7%	19.2%	34.8%	16.0%	10.0%	10.4%
50%+	24.2%	36.8%	53.1%	22.7%	14.2%	*Data from Ycharts*

Past performance is not indicative of future results.

Once stocks fall 20%, long-term returns start to improve with every painful leg lower. This is why it's so important to stay in the game. Nobody ever said you *have* to have all of your money in stocks, but you can't be all cash either because lower returns today plant the seeds for higher returns tomorrow.

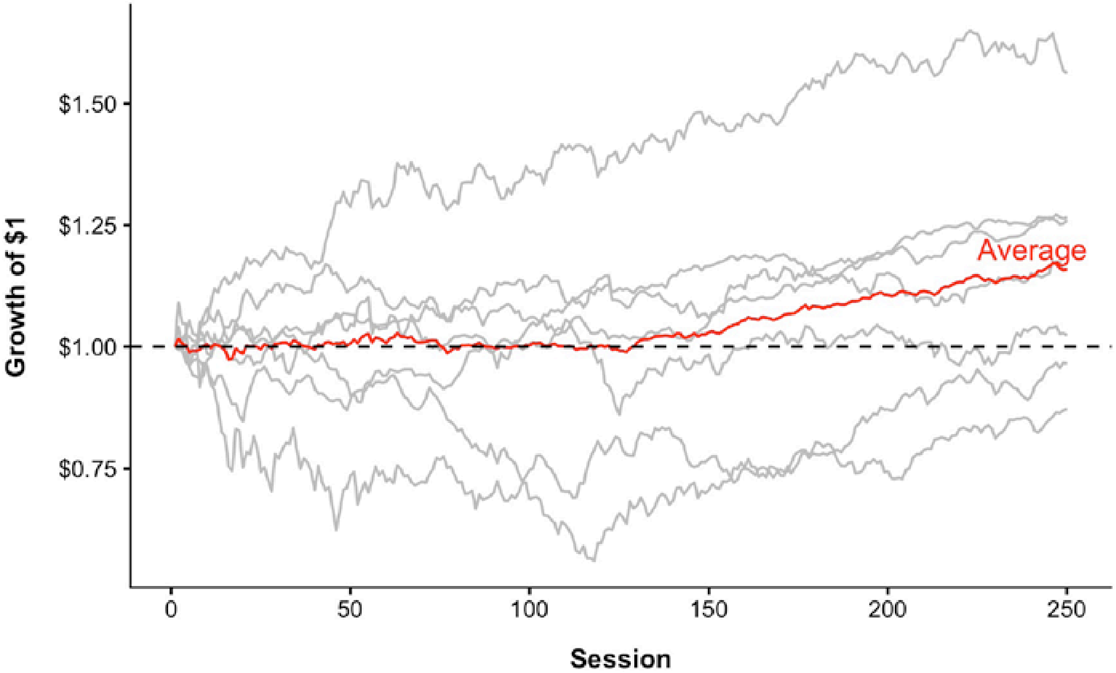
Base case numbers are important to look at, but not when it feels like the worst case is much more likely. I've got those numbers also. The table below is the same as the one above, only it's showing the minimum returns going forward. Stocks can go a lot lower over the short-term, but over the long-term, the situation starts to improve dramatically.

Percent From High	3 Months	6 Months	1 Year	3 Year	10 Year	20 Year
0%-5%	-29.0%	-26.5%	-44.9%	-17.4%	-6.4%	2.2%
5%-10%	-29.4%	-38.2%	-47.8%	-16.5%	-4.0%	2.6%
10%-15%	-18.2%	-45.4%	-47.4%	-16.8%	-2.0%	2.9%
15%-20%	-41.3%	-44.7%	-47.7%	-19.2%	-0.3%	2.9%
20%-25%	-34.3%	-45.4%	-33.9%	-10.9%	-0.6%	2.9%
25%-30%	-26.6%	-37.6%	-28.1%	-1.4%	0.1%	3.5%
30%-35%	-24.0%	-25.5%	-26.1%	1.2%	0.9%	7.7%
35%-40%	-17.9%	-19.9%	-14.3%	3.3%	1.8%	8.2%
40%-45%	-24.9%	-9.6%	7.6%	7.6%	4.0%	9.6%
45%-50%	-17.4%	0.1%	17.0%	11.6%	4.8%	10.2%
50%+	3.5%	17.3%	41.6%	18.0%	13.3%	*Data from Ycharts*

Past performance is not indicative of future results.

Long-term returns have historically gotten more attractive as stocks decline, but over the following year, flip a coin. The chart below shows the one-year path of the S&P 500 following a 25% decline (we were down >25% on Thursday's close).

S&P 500® INDEX OVER NEXT YEAR AFTER BEING IN A DECLINE OF 25%



Past performance is not indicative of future results. Source: YCharts. Note: There were seven trading days where the S&P 500 was first in a 25% decline since 1950.

There have been seven non-overlapping periods going back to 1950, and looking at the chart, it's impossible to draw any conclusions. Three times it got worse, twice it got much worse. One time things got much better immediately, and three other times they got better but it took a while. In other words, be prepared for anything.

As I'm typing this, the Fed just fired their bazooka. They took rates back to zero and will be conducting a massive quantitative easing program. I think this was the right move, but at this point I'm much more worried about Main Street than Wall Street, and I hope fiscal stimulus is not far away.

Thank you for reading and stay safe everybody.

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To learn more, please contact us at 800-243-4361 or visit virtus.com.

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The **S&P 500® Index** is a free-float market-capitalization weighted index of 500 of the largest U.S. companies. The index is calculated on a total return basis with dividends reinvested. The index is unmanaged, its return does not reflect any fees, expenses, or sales charges, and it is not available for direct investment.

All investments carry a certain degree of risk, including possible loss of principal.