

RETURNS FROM THE BOTTOM OF BEAR MARKETS



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A WEALTH OF COMMON SENSE
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We are now in the 13th worst bear market since the late 1920s with losses just shy of 30%.

It would take *another* 15% drop from here to get to a 40% loss.

It would take *another* 30% drop from here to get to a 50% loss.

I don't know if this is going to happen and neither does anyone else, but it's certainly possible. It's happened before and it will happen again, even if it's not this time.

Looking past this pandemic almost doesn't feel right because the worst is still yet to come. I don't know what's yet to come in the markets because investors are recalibrating their thoughts about the future on the fly. It's anyone's guess what comes next.

But, eventually, we will get past this. We ALWAYS do. If you don't believe this, what's the point of investing in the first place? Stocks will bottom and there will be a massive, face-ripping rally. I don't know when, but it will happen.

Here are the other 12 bear markets that are worse than the current version along with their ensuing one, three, and five year forward returns:

FORWARD RETURNS OF THE S&P 500® INDEX					
Drawdown	Peak	Trough	1 Year	3 Years	5 Years
-86.2%	9/7/1929	6/1/1932	162.9%	170.5%	344.8%
-56.8%	10/9/2007	3/9/2009	53.6%	97.9%	181.6%
-54.5%	3/6/1937	3/31/1938	35.2%	38.2%	84.5%
-49.1%	3/24/2000	10/9/2002	24.4%	59.0%	105.1%
-48.2%	1/11/1973	10/3/1974	38.1%	72.7%	117.5%
-40.6%	9/7/1932	2/27/1933	98.7%	194.5%	154.6%
-36.1%	11/29/1968	5/26/1970	34.7%	50.6%	42.2%
-34.5%	11/9/1940	4/28/1942	61.2%	128.6%	144.9%
-33.5%	8/25/1987	12/4/1987	23.2%	55.5%	121.7%
-31.9%	10/25/1939	6/10/1940	8.0%	59.7%	118.8%
-31.8%	2/6/1934	3/14/1935	83.8%	16.3%	84.9%
-29.8%	7/18/1933	10/21/1933	2.9%	120.1%	87.3%
-29.2%	2/19/2020	???	???	???	???
Averages			52.2%	88.6%	132.3%

Past performance is not indicative of future results. Source: Bloomberg data.

The bad news is I have no idea when stocks will bottom. Maybe it was today? Maybe it will happen in a week...or a year. Who knows? But it's going to come at some point.

Will you invest at the absolute bottom? Not unless you're ridiculously lucky. But the point remains that the bigger the losses, the higher the expected returns.

This feels like an awful time to buy stocks. That's usually a good sign (although things could always get even more awful from here).



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