# MASSIVE UP AND DOWN MOVES IN STOCKS IN THE SAME YEAR ARE MORE COMMON THAN YOU THINK

VIRTUS INVESTMENT PARTNERS

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A WEALTH OF COMMON SENSE
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**There have been two massive moves in the stock market this year.** After a relatively calm start to the year, it took just 23 trading sessions for the S&P 500® Index to fall 34%. It's now up 40% since the lows seen on March 23, 2020.

It's hard to fathom such massive moves occurring during the same year (and this year is still not even halfway over).

Once you start digging into the historical numbers, you begin to realize the stock market is even crazier than advertised. Surprisingly, huge up and down moves happening in the same year is not that out of the ordinary.

The Great Depression crash, which began at the tail end of 1929 and lasted well into the 1930s, is by far the most insane stock market environment in history. I can't even imagine what these moves must have felt like in real time, but here are some of the massive upswings and downswings that occurred in those years:

1929 The stock market was up 32% through the fall before peaking in September. It would then fall almost 45% over the next two months, before rising an additional 28%. Stocks finished the year down 8.3%.

1930 Over the first four months or so, the market rose 22%. The rally didn't last, as the next eight months would see a 44% drawdown. Over the course of the year, the market was down 25%.

1931 The first two months saw stocks rise close to 19%. The ensuing losses had to be a back-breaker for investors, as the stock market fell more than 57% from those levels into late December. 1931 would turn out to be the worst year on record for the S&P 500, ending the year down 44%.

1932 The encore performance to the worst year ever in the stock market was a 51% drop over the first five months. From there, the market would have one of the most vicious rallies in history, rising an astonishing 112% over the next three months or so. While that would mark THE bottom in 1932, the market still fell another 31% before the year was up. After all that back and forth, stocks finished the year down just 8.6%.

1933 The Great Depression crash technically occurred from late 1929 through mid-1932, but the selling didn't subside completely in 1933, as stocks began the year falling another 25% in the first two months. From there, the market would rise a staggering 121% through July, before falling *another* 29%. Stocks were up close to 50% for the year after all of this volatility, in one of the best years ever.

1934 There were no triple-digit gains, but even 1934 saw a gain of 21%, in addition to a drawdown of 29%.

**It wasn't just the 1930s that saw such massive intra-year volatility.**

1974 The market was down 37% before bottoming in early-October. Stocks would rally 21% over the next month. The year ended down 26%.

1980 Stocks began the year falling 17%, only to experience a 43% bounce thereafter. Stocks were up 32% on the year.

1982 This year saw a similar 17% drawdown, coupled with a 40% jump. Year-end returns were more than 20%.

1987 Before the Black Monday crash saw stocks get dinged almost 34% in a week, the market had risen 40% through the end of the summer. Surprisingly, stocks finished that year up almost 6% even after the worst one-day crash in history.

**1990s** The late-1990s bubble was a sight to behold, as the S&P 500 rose by 20% or more for five straight years from 1995-1999.[1] But 1998 also had a 19.3% drop, before rising almost 34%, and finishing out the year with a gain of 28%.

**2001** The remnants of the dot-com bubble bursting, along with 9/11, created three wild price swings in the market. Following an up month in January, stocks would fall 19% before seeing a 19% rally, which was followed by a 26% crash. Stocks ended the year down roughly 12%.

**2009** The Great Financial Crisis bottomed in early March, but not before getting shellacked by nearly 28% from the start of the year. Stocks would go on to leap more than 67% for the remainder of the year, finishing 2009 with a total return of 26%.

I'm sure I missed some other examples, but you get the point. You can get cycles during a 12-month time frame that feel like they should be playing out over the course of 12 years. The stock market can move very fast in either direction, seemingly without warning. Here are some reminders I like to consider when thinking through big moves like this:

- I cannot predict the direction of the stock market over the short term.
- I cannot predict the magnitude of stock market moves.
- I cannot predict when market moves are going to start or stop.
- The stock market doesn't always make sense, nor does it have to.
- The stock market has the ability to make everyone look foolish at times.

Things looked bleak in March. Now things look not so bad, considering the S&P 500 is down just 2-3% on the year. What happens next is anyone's guess.

I don't know.



[1]Annual returns were 37.2%, 22.7%, 33.1%, 28.3%, and 20.9%, respectively for a cumulative 5-year gain of nearly 250%.

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 returns do not reflect any fees, expenses, or sales charges, and it is not available for direct investment.