NEW ALL-TIME HIGHS AFTER A BEAR MARKET

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It's been a while, but we're back:

S&P 500® INDEX 2022–2023 BEAR MARKET

Past performance is not indicative of future results. As of January 19, 2024. Source: YCharts.

After a little more than two years, the S&P 500® Index finally took out the highs from January 2022 on Friday. New all-time highs!

This bear market felt nasty in 2022, but it was fairly run-of-the-mill when compared with the biggest downturns over the past 70+ years. Here's an updated table of S&P 500 bear markets since 1950, along with the number of days it has taken to go peak-to-trough, with the prior peak-to-new highs:

S&P 500® INDEX BEAR MARKET SINCE 1950

Peak	Trough	% Decline	Peak to Trough Number of Days	Next All-Time High	Number of Days to New Highs
7/15/1957	10/22/1957	-20.7%	99	9/24/1958	436
12/12/1961	6/26/1962	-28.0%	196	9/3/1963	630
2/9/1966	10/7/1966	-22.2%	240	5/4/1967	449
11/29/1968	5/26/1970	-36.1%	543	3/6/1972	1,193
1/11/1973	10/3/1974	-48.2%	630	7/17/1980	2,744
11/28/1980	8/12/1982	-27.1%	622	11/3/1982	705
8/25/1987	12/4/1987	-33.5%	101	7/26/1989	701
3/24/2000	10/9/2002	-49.1%	929	5/30/2007	2,623
10/9/2007	3/9/2009	-56.8%	517	3/28/2013	1,997
2/19/2020	3/23/2020	-33.9%	33	8/18/2020	181
1/3/2022	10/12/2022	-25.4%	282	1/19/2024	746

Past performance is not indicative of future results. Source: YCharts and author's calculations.

The average bear market since 1950 has seen a drawdown of 35%, taking 381 days to bottom out and more than 1,100 days to go from the prior peak to new all-time highs.[1] This is the kind of thing you should expect to happen every five or six years.[2] Of course, we've now experienced two bear markets in four years, but that's how market averages work. You can't set your watch to these things.

So what happens next?

I don't know, of course, but it is interesting to look at what's happened after the stock market hit new highs following bear markets in the past. Here's a look at the one, three, five and 10-year returns[3] from new highs following a bear market:

RETURNS FROM NEW ALL-TIME HIGHS AFTER A BEAR MARKET

Peak	Trough	% Decline	New Highs	+1 Year	+3 Years	+5 Years	+10 Years
7/15/1957	10/22/1957	-20.7%	9/24/1958	17.3%	47.0%	68.5%	183.3%
12/12/1961	6/26/1962	-28.0%	9/3/1963	21.1%	17.5%	17.5%	108.5%
2/9/1966	10/7/1966	-22.2%	5/4/1967	14.4%	-5.2%	44.8%	54.3%
11/29/1968	5/26/1970	-36.1%	3/6/1972	7.8%	-14.6%	13.2%	66.4%
1/11/1973	10/3/1974	-48.2%	7/17/1980	20.5%	71.8%	115.0%	377.3%
11/28/1980	8/12/1982	-27.1%	11/3/1982	27.9%	62.9%	131.1%	354.8%
8/25/1987	12/4/1987	-33.5%	7/26/1989	6.5%	35.4%	54.8%	396.5%
3/24/2000	10/9/2002	-49.1%	5/30/2007	-6.7%	-23.9%	-4.5%	95.5%
10/9/2007	3/9/2009	-56.8%	3/28/2013	21.9%	39.8%	86.8%	217.4%
2/19/2020	3/23/2020	-33.9%	8/18/2020	31.2%	35.0%	???	???
1/3/2022	10/12/2022	-25.4%	1/19/2024	???	???	???	???

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Most of the time, new highs are followed by more new highs. The average one, three, five, and 10-year total returns *following* new highs were +16%, +27%, +59%, and +206%, respectively. That's pretty good.

Really, the only time new highs were hit and another bear market quickly followed was in 2007. New highs came in May 2007, while the peak for the Great Financial Crisis came in October of the same year. The early 1970s experienced two dreadful bear markets in short order as well. As always, there are exceptions to the rules when it comes to the markets.

I don't know what happens from here. It's anyone's guess. What I do know is that thinking and acting for the long term is typically rewarded when it comes to the stock market.

Staying the course still works.

[1]If you were to take out the three biggest crashes (1973-1974, 2000-2002, and 2007-2009), the average old peak to new peak was an average of 614 days.
[2]Including the most recent one, there have been 11 bear markets since 1950, or one every six-and-a-half years.
[3]I wanted total returns here since they're longer-term, but I didn't feel like calculating the price returns to the exact day (it takes a lot of time). So, these are total returns from the first full month after new highs (meaning the returns are probably even a tad understated). Close enough.