U.S.: Historical perspective on equity bear markets

By Stéfane Marion/Matthieu Arseneau/Alexandra Ducharme

With the S&P 500 closing down almost 20% from its January 3 peak, the following historical experience is worth noting:

1. Since 1956, there have been 11 episodes where the S&P 500 fell 20% or more from its peak.
3. In only two instances, 1973 and 2000, was the S&P 500 down more than 20% at the peak of the economic cycle (average drawdown is 14%). A bear market generally unfolds only after a recession begins. The average duration of a bear market (peak to trough) is 476 days with an average drawdown of 37% if accompanied/followed by recessions and 179 days with an average drawdown of 28% without recessions.
4. A 20% drawdown normally occurs over an average span of 297 days if accompanied by recession and 141 days without recession. The last peak on the S&P 500 was 137 days ago.

If hit by both a bear market and recession, the S&P 500 will take on average 1300 days (3.5 years) to return to its previous peak. Outside recessions it takes an average of 591 (19 months) days to return to peak. These long intervals are related to the fact that it normally takes a long time for U.S. equities to fall into bear market (refer back to observation no. 4). For the record, we do not currently expect a recession.

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<table>
<thead>
<tr>
<th>Market peak</th>
<th>Market bottom</th>
<th>Duration days</th>
<th>Total loss %</th>
<th>Bear market start date</th>
<th>From peak to bear days</th>
<th>Economic peak</th>
<th>Cumulative % loss at economic peak</th>
<th>Fed rate cut start date</th>
<th>Cumulative rate cuts</th>
<th>Economic peak</th>
<th>Fed rate cut start date</th>
<th>Return to peak date</th>
<th>Duration days</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956-08-02 to 1957-10-22</td>
<td>446</td>
<td>-21.6</td>
<td>1957-10-21</td>
<td>445</td>
<td>Aug 57</td>
<td>-10.7</td>
<td>Jan-57</td>
<td>100 bps</td>
<td>1958-09-24</td>
<td>783</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1966-02-09 to 1966-10-07</td>
<td>240</td>
<td>-22.2</td>
<td>1966-08-29</td>
<td>201</td>
<td>NO</td>
<td>n.a.</td>
<td>Jan-67</td>
<td>75 bps</td>
<td>1967-05-04</td>
<td>449</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000-03-24 to 2002-10-09</td>
<td>929</td>
<td>-49.1</td>
<td>2001-03-12</td>
<td>353</td>
<td>Mar-01</td>
<td>-26.8</td>
<td>Jan-01</td>
<td>550 bps</td>
<td>2007-05-09</td>
<td>2602</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020-02-19 to 2020-03-23</td>
<td>33</td>
<td>-33.9</td>
<td>2020-03-12</td>
<td>22</td>
<td>Feb-20</td>
<td>-12.8</td>
<td>Mar-20</td>
<td>150 bps</td>
<td>2020-08-18</td>
<td>181</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Average (Recessions) | 476 | -37 | 297 | -14 | 1300 |
Average (No Recession) | 179 | -28 | 141 | n.a. | 591 |

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