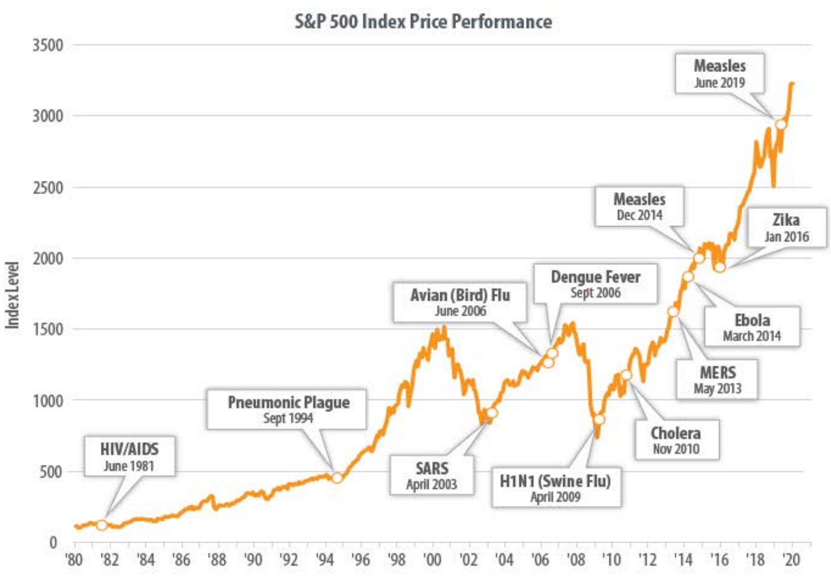
Bear Market.
Now what?

EPIDEMICS, BEAR MARKETS AND MARKET RESPONSES

On March 12, 2010 the S&P 500 Index entered bear market territory, defined as a 20% decline from the index's past high. The Dow Jones Industrial Index, another often quoted index, fell into bear market territory the day before. The downward movement in these indexes are, in large part, due to uncertainty surrounding COVID-19's impact on the domestic and global economies.

While past results don't guarantee future returns, markets have recovered from past epidemics. The chart below looks at the S&P 500 Index's historical returns during the multiple epidemics we have weathered over the last 40 years. The S&P 500 performance has, on average, been positive over the 6 and 12 month periods immediately following an epidemic.



Epidemic	Date	S&P 500 6-Month % Change	S&P 500 12-Month % Change
HIV/AIDS	June 1981	-6.6%	-16.5%
Pneumonic Plague	Sept 1994	8.2%	26.3%
SARS	April 2003	14.6%	20.8%
Avian (Bird) Flu	June 2006	11.7%	18.4%
Dengue Fever	Sept 2006	6.4%	14.3%
H1N1 (Swine Flu)	April 2009	18.7%	36.0%
Cholera	Nov 2010	13.9%	5.6%
MERS	May 2013	10.7%	18.0%
Ebola	March 2014	5.3%	10.4%
Measles	Dec 2014	0.2%	-0.7%
Zika	Jan 2016	12.0%	17.5%
Measles	June 2019	9.8%	N/A*
Average Price Return		8.8%	13.6%

Observations

- 6-month change of the S&P 500 Index following the start of the epidemic was positive in 11 of the 12 cases, with an average price return of 8.8%.
- 12-month change of the S&P 500 Index following the start of the epidemic was positive in 9 of the 11 cases*, with an average price return of 13.6%.

Source: Bloomberg, as of 2/24/20. Month end numbers were used for the 6- and 12-month % change. *12-month data is not available for the June 2019 measles. **Past performance is no guarantee of future results.**
The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. Returns are based on price only and do not include dividends. This chart is for illustrative purposes only and not indicative of any actual investment. These returns were the result of certain market factors and events which may not be repeated in the future.
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Bear markets show a similar pattern. A look at the S&P 500 Index's history shows that bear markets occur about every six years. These bear markets have lasted, on average, for 401 days. Again, while past results don't guarantee future returns, markets have recovered from these market declines. The chart below shows what the recoveries have looked like over the five biggest market declines since 1929. Over the five years immediately following a bear market, the S&P 500 has steadily recovered with only two of the twenty five subsequent years being negative.

Five biggest market declines and subsequent five-year periods*

1929–2019

		9/7/29–6/1/32	3/6/37–4/28/42	1/11/73–10/3/74	3/24/00–10/9/02	10/9/07–3/9/09	Average
	Decline	-86.22%	-60.01%	-48.20%	-49.15%	-56.78%	
S&P 500 12-month returns† after low	1st yr.	137.60%	64.26%	44.43%	36.16%	72.29%	70.95%
	2nd yr.	0.52	8.96	25.99	9.91	18.08	12.69
	3rd yr.	6.42	31.08	-2.86	8.51	6.10	9.85
23 Positive periods	4th yr.	56.68	32.19	11.79	15.11	15.74	26.30
2 Negative periods	5th yr.	16.52	-19.89	12.82	18.06	23.65	10.23
	Five-year average annual total return	35.93	19.96	17.39	17.15	25.30	23.15
	Value of a $10,000 investment in the S&P 500 at the end of the five-year period	$46,401	$24,841	$22,293	$22,067	$30,890	$28,322

For long-term investors, research has shown it is generally not wise to try and time the markets in times of uncertainty as if often results in missing out on the market's recovery. Even in bear markets it is wise to "stay the course" amid the uncertainty and market volatility. The uncertainty created by COVID-19 will eventually pass, and investors will again re-focus on the real market drivers like corporate earnings and growth. It is important to keep in mind that current market conditions rarely provide a clear direction as to the future performance of the markets.

If you have questions about your plan and how to navigate these trying times, please reach out to your AssuredPartners professional and we will connect you with an investment advisor representative specializing in 401(k) plan management.

Source for"Five Biggest market declines and subsequent five year periods: Capital Group, Standard & Poor's.
Chart footnotes: Market downturns are based on the five largest declines in the S&P 500's value (excluding dividends and/or distributions) with 50% recovery after each decline. † The return for each of the five years after a low is a 12-month return based on the date of the low. For example, the first year is the 12-month period from 3/9/09 to 3/9/10. The percentage decline is based on the index value of the unmanaged S&P 500, excluding dividends and/or distributions. Each market decline reflects a period of more than 80 days with 100% recovery after each decline (except for a 77% recovery between 3/9/09 and 4/29/11). The average annual total returns and hypothetical investment results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or taxes. Investors cannot invest directly in an index. Past results are not predictive of results in future periods. Financial advisors are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.)