

# "BEAR"ING IT

Just as planes cruising to their destination at high altitude land to refuel and go through maintenance, correct course for weather patterns, and account for frequent turbulence, markets also have to go through periods of adjustment and course correction.

While painful, bear markets tend to be short-lived compared to bull markets.

## 5 THINGS TO KNOW ABOUT EQUITY BEAR MARKETS

1. Bear markets are defined as a 20% drop from a market index's peak. (Corrections, defined as a drop of less than 20% but more than 10%, occur about once every two years with an average decline of 15%.)<sup>1</sup>
2. Bear markets tend to last 9.6 months with a 36% loss, but bull markets tend to last 2.7 years with a rise of 114%.<sup>2</sup>
3. Bear markets tend to occur every 3.6 years.<sup>2</sup>
4. Half of the S&P 500's best days in the last 20 years occurred during bear markets.<sup>2</sup> Bull markets are born in bear markets, which is why there is the adage that time in the markets, not timing in the market, works out best in the long term.
5. Bull markets are easy to miss if not caught at the bottom.

## 3 THINGS TO KNOW ABOUT BOND BEAR MARKETS

1. Bear markets in bonds have no technical definition, but a 3% to 5% drawdown from a peak could be considered a bear market.
2. Bonds tend to have a low positive to low negative correlation with stocks, but in short periods of rising rates, correlations can turn positive.
3. In past drawdowns over 3%, the bond markets, as proxied by the Bloomberg US Aggregate Index, reached new highs in as little as two months.

## Bear Markets in Equities<sup>2</sup>

S&P 500: Declines > 20%, (1929-2021)		
Start and End Date	%Price Decline	Length in Days
9/7/1929–11/13/1929	-44.67	67
4/10/1930–12/16/1930	-44.29	250
2/24/1931–6/2/1931	-32.86	98
6/27/1931–10/5/1931	-43.1	100
11/9/1931–6/1/1932	-61.81	205
9/7/1932–2/27/1933	-40.6	173
7/18/1933–10/21/1933	-29.75	95
2/6/1934–3/14/1935	-31.81	401
3/6/1937–3/31/1938	-54.5	390
11/9/1938–4/8/1939	-26.18	150
10/25/1939–6/10/1940	-31.95	229
11/9/1940–4/28/1942	-34.47	535
5/29/1946–5/17/1947	-28.78	353
6/15/1948–6/13/1949	-20.57	363
8/2/1956–10/22/1957	-21.63	446
12/12/1961–6/26/1962	-27.97	196
2/9/1966–10/7/1966	-22.18	240
11/29/1968–5/26/1970	-36.06	543
1/11/1973–10/3/1974	-48.2	630
11/28/1980–8/12/1982	-27.11	622
8/25/1987–12/4/1987	-33.51	101
3/24/2000–9/21/2001	-36.77	546
1/4/2002–10/9/2002	-33.75	278
10/9/2007–11/20/2008	-51.93	408
1/6/2009–3/9/2009	-27.62	62
2/19/2020–3/23/2020	-33.92	33
<b>Average</b>	<b>-35.62</b>	<b>289</b>

## Bear Markets in Bonds<sup>3</sup>

Bloomberg Barclays US Aggregate: Drawdowns >3% Monthly, (1976-2022)					
Start Month	End Month	# Months	Max Drawdown (Monthly)	New High Month	# Months: Low to High New
Aug-20	Mar-22	20	-7.60%	?	?
Aug-16	Nov-16	4	-3.30%	Aug-17	9
May-13	Aug-13	4	-3.70%	May-14	9
Apr-08	Oct-08	7	-3.80%	Dec-08	2
Jun-03	Jul-03	2	-3.60%	Dec-03	5
Feb-96	May-96	4	-3.20%	Oct-96	5
Feb-94	Jun-94	5	-5.10%	Feb-95	8
Mar-87	Sep-87	7	-4.90%	Dec-87	3
Feb-84	May-84	4	-4.90%	Jul-84	2
May-83	Jul-83	3	-3.50%	Sep-83	2
Jul-80	Sep-81	15	-9.00%	Dec-81	2
Aug-79	Feb-80	7	-12.70%	May-80	3

<sup>1</sup>Source: Schwab, 2/22 (<https://intelligent.schwab.com/article/stock-market-corrections-not-uncommon>)

<sup>2</sup>Source: Hartford, 2/22 (<https://www.hartfordfunds.com/dam/en/docs/pub/whitepapers/CCWP045.pdf>)

<sup>3</sup>Source: Bloomberg, 4/22 (<https://www.marketwatch.com/story/the-bond-market-has-crashed-why-one-strategist-says-embrace-the-pain-and-get-back-in-11651056414>)

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