
Downturns and Recoveries

A historical account of past downturns and recoveries can present a better picture of potential market performance. There have been many U.S. equity market downturns over time, with varying levels of severity and differing lengths of recovery. The most severe downturn marked the start of the Great Depression, when stocks lost over 80% of their value. In this case, the recovery period was over 12 years. More recently, stocks lost 44.7% of their value during the early-2000s bear market. This recovery period, lasting four years, was the second-longest in history. Stocks lost 50.9% during the recent 2007–09 bear market; this downturn lasted for 16 months, and the stock market recovered after 37 months, in March 2012. It is evident that stocks are prone to sudden declines in value. These declines seem to happen at random, and there are many different reasons for stock market crashes and bear markets. Sometimes stocks recover their value quickly, while other times the decline lasts for a while.

The recovery period may be painfully long. Often, the decline is preceded by a period of high returns, which lulls investors into a false sense of security. Because no one can predict market declines with certainty, a diversified portfolio may be the best solution for a long-term investor who is concerned about both return and risk.

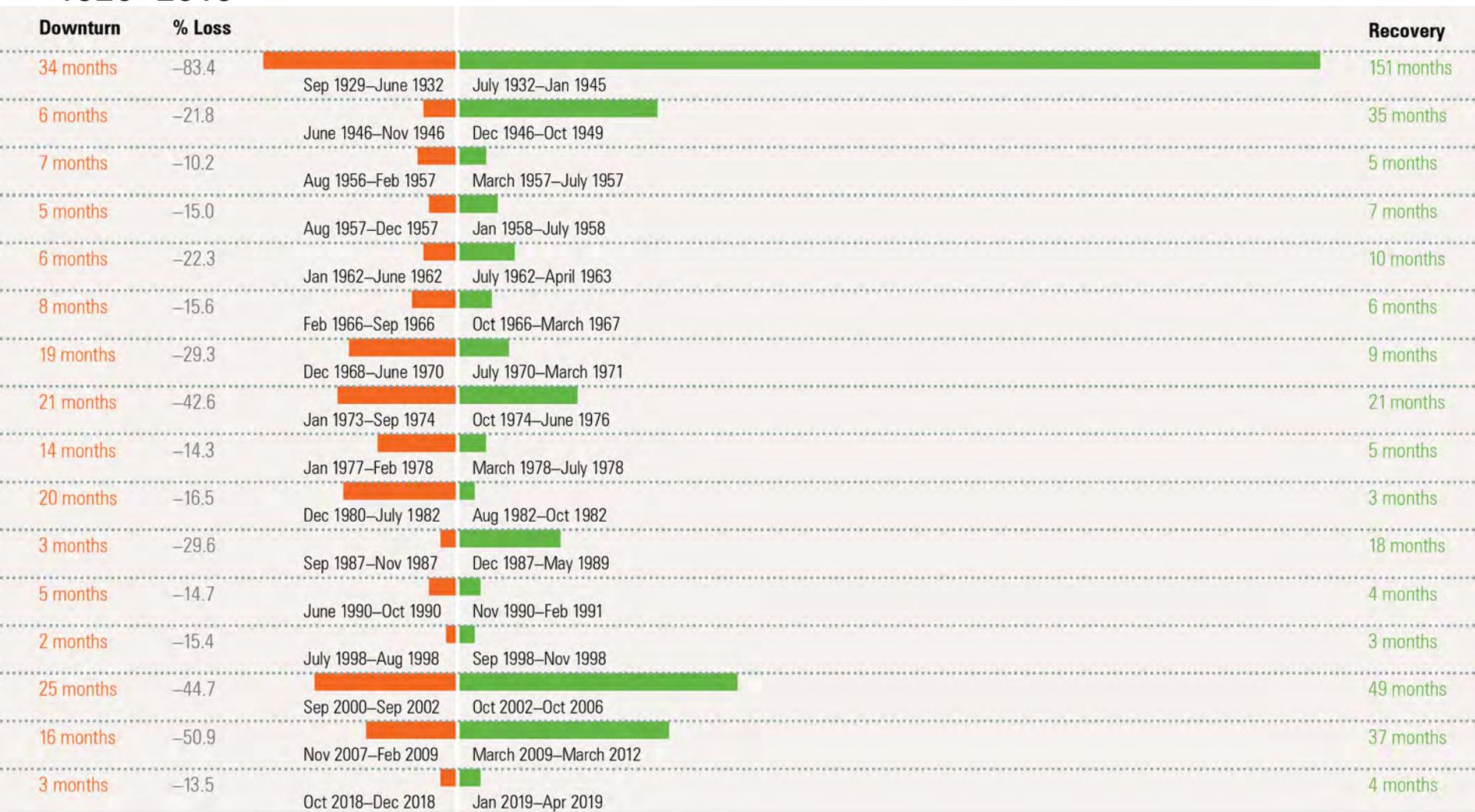
Returns and principal invested in stocks are not guaranteed. Diversification does not eliminate the risk of investment losses.

About the data

Large stocks are represented by the Ibbotson® Large Company Stock Index. Downturns in this example are defined by a time period when the stock market declined by 10% or more from its peak, while the recovery period indicates the number of months from the trough of the downturn to the market's previous peak. An investment cannot be made directly in an index. The data assumes reinvestment of all income and does not account for taxes or transaction costs.

Market Downturns and Recoveries

1926–2019

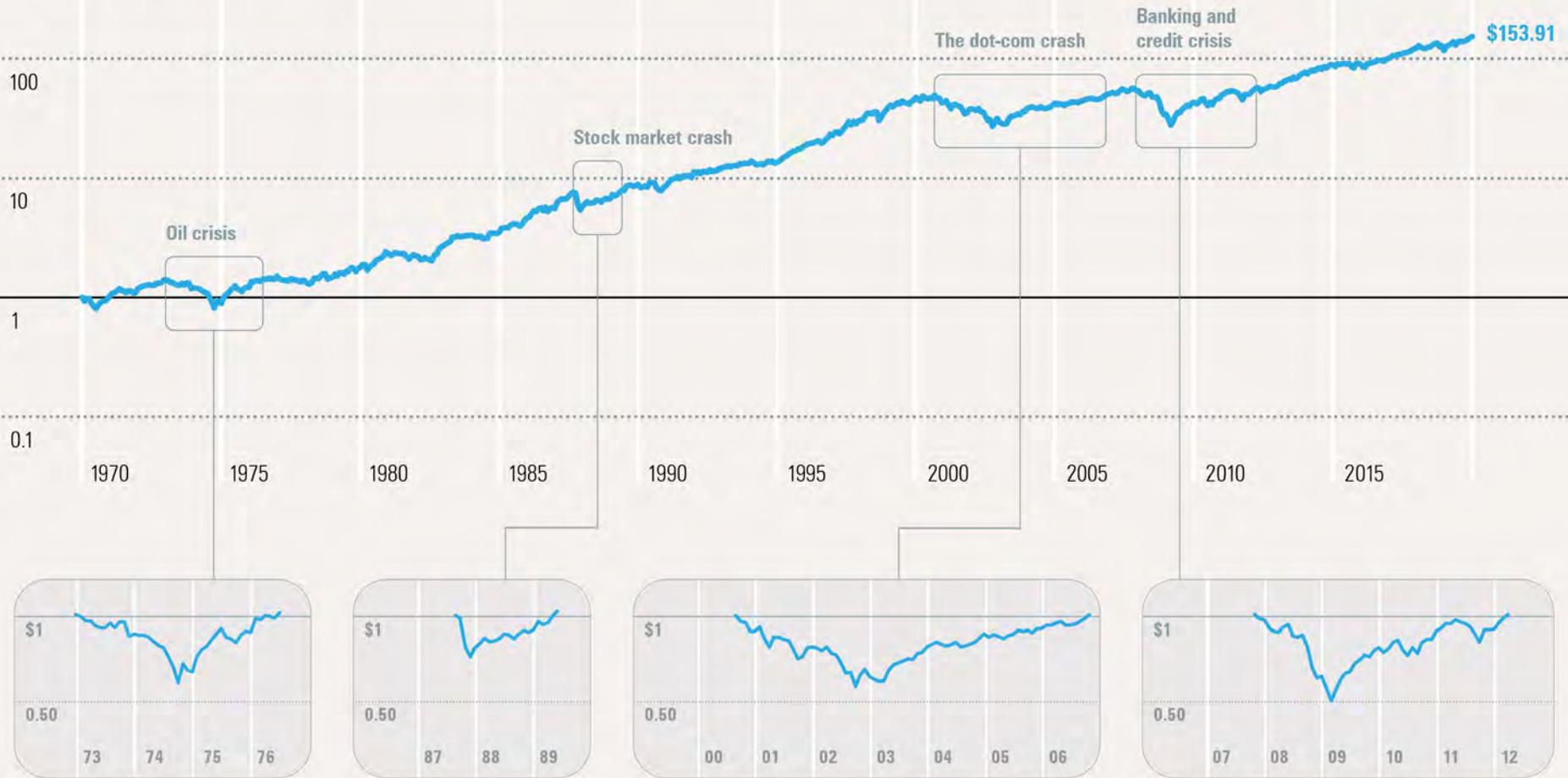


Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. Downturns are defined by a time period when the stock market value declined by 10% or more from its peak.
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Crises and Long-Term Performance

Market Declines in Historical Context, January 1970 – December 2019

\$1,000 Compound annual return: 10.6%

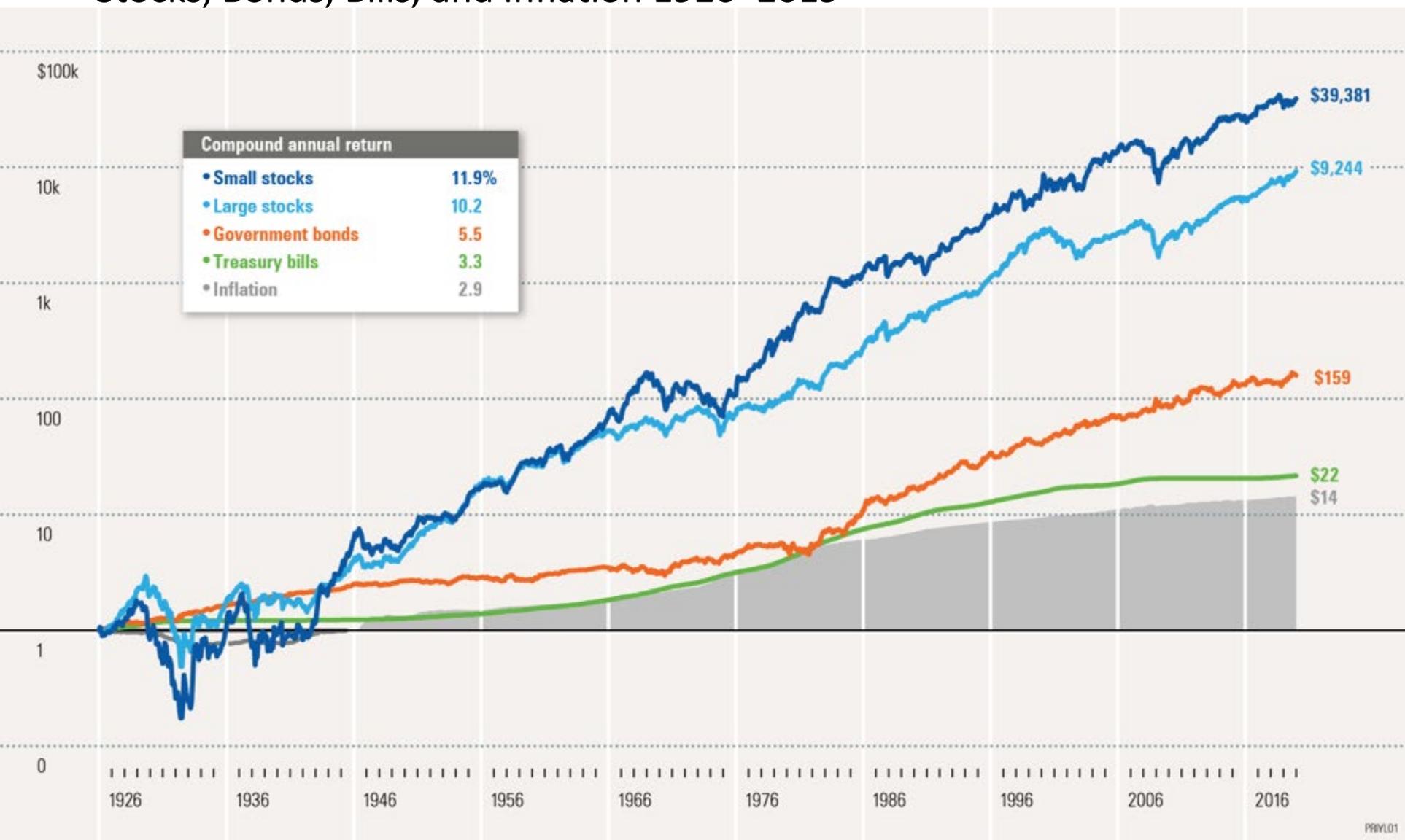


Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. Four market crises defined as a drop of 25% or more in the Ibbotson® Large Company Stock Index. © Morningstar 2020. All Rights Reserved.



Ibbotson® SBBI®

Stocks, Bonds, Bills, and Inflation 1926–2019



Past performance is no guarantee of future results. Hypothetical value of \$1 invested at the beginning of 1926. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © Morningstar 2020. All Rights Reserved.

