

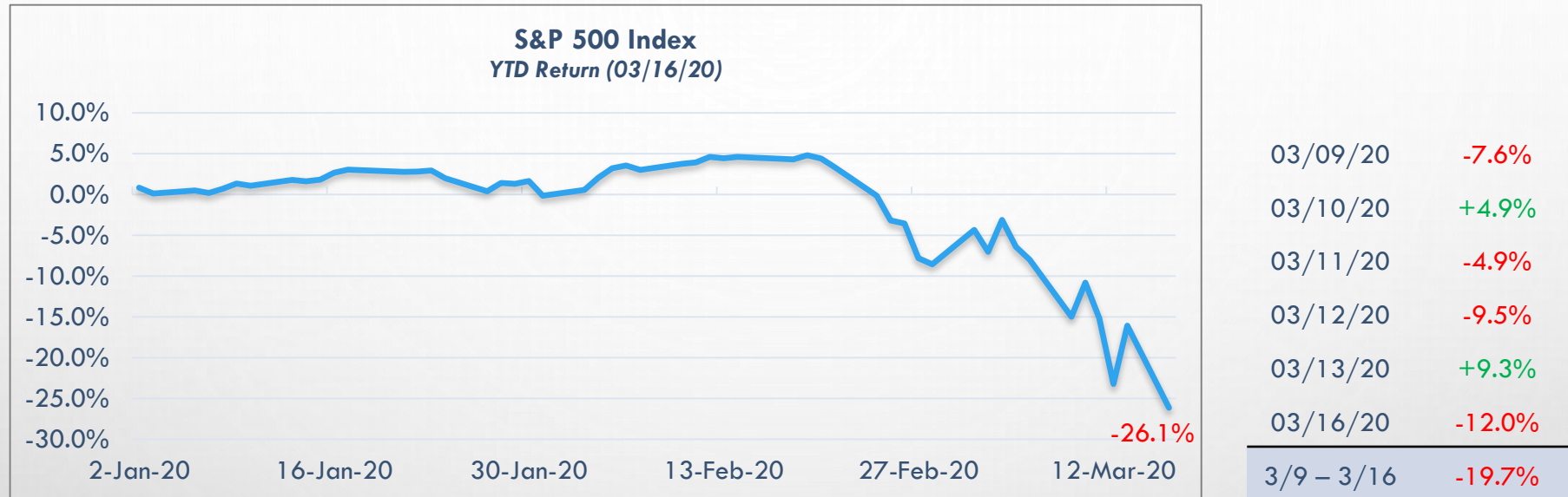


A P O L L O N

Maintaining Longer-Term Perspective In The Midst Of  
Heightened Volatility



# THE BULL MARKET COMES TO AN END

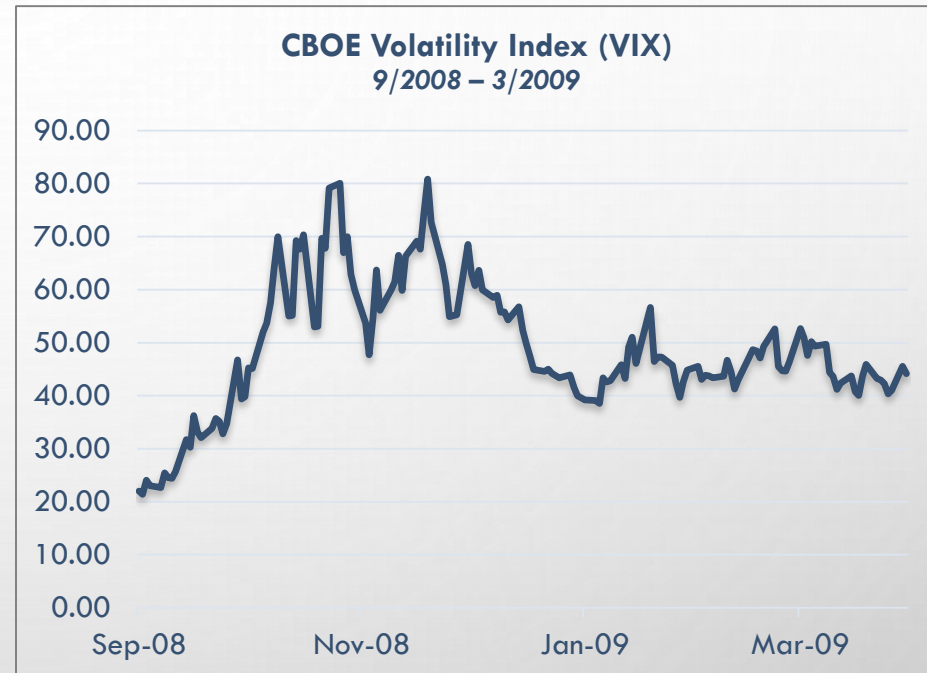
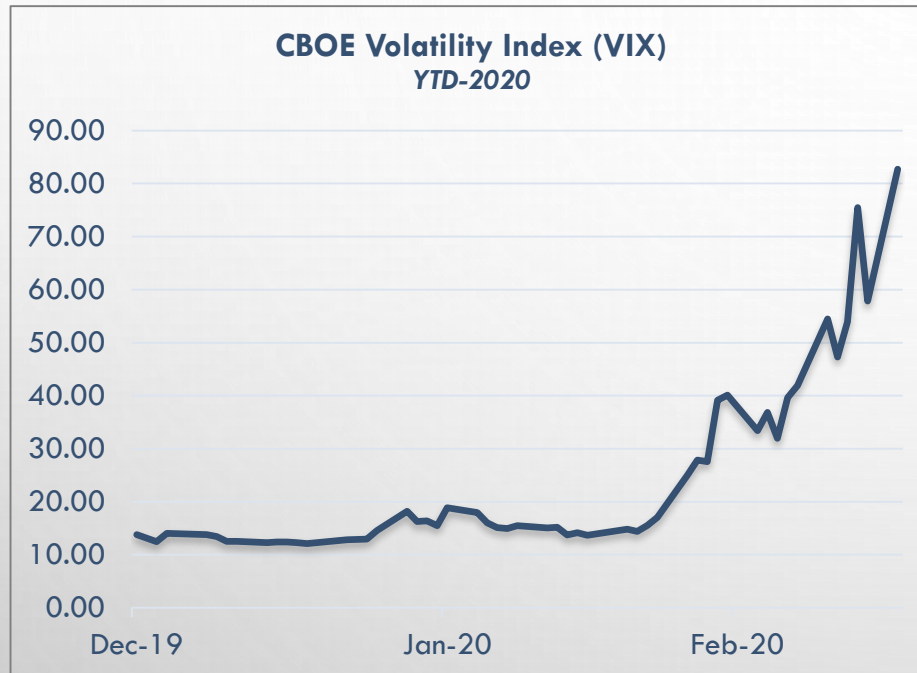


- ON MARCH 11, THE S&P 500 INDEX ENTER A 'BEAR MARKET,' THUS ENDING THE 11-YEAR BULL MARKET
- AS OF MARCH 16, THE S&P 500 INDEX IS DOWN 26% FOR THE YEAR (NEARLY 30% SINCE ITS FEBRUARY 19 HIGH)
- SIX STRAIGHT DAYS OF +/- 4% MOVES (LONGEST SUCH STRETCH SINCE 1929)
- OF THE 16 TRADING DAYS BETWEEN FEBRUARY 24 AND MARCH 16....
  - THE S&P 500 INDEX HAS HAD 9 DAYS WITH A CLOSE +/- 4% (ONLY 10 SUCH DAYS FROM 2010-2019)
  - AVERAGE DAILY MOVE OF +/- 4.8%

Source: Yahoo Finance

# HEIGHTENED MARKET VOLATILITY

RECENT VOLATILITY IS REMINISCENT OF THE 2008 FINANCIAL CRISIS



- ON MONDAY, MARCH 16, 2020, THE CBOE VOLATILITY INDEX REACHED A 52-WEEK HIGH AT 83.56
- THE FINANCIAL CRISIS HAD ONLY ONE DAY WITH A HIGHER VIX READING (89.53 ON 10/24/08)

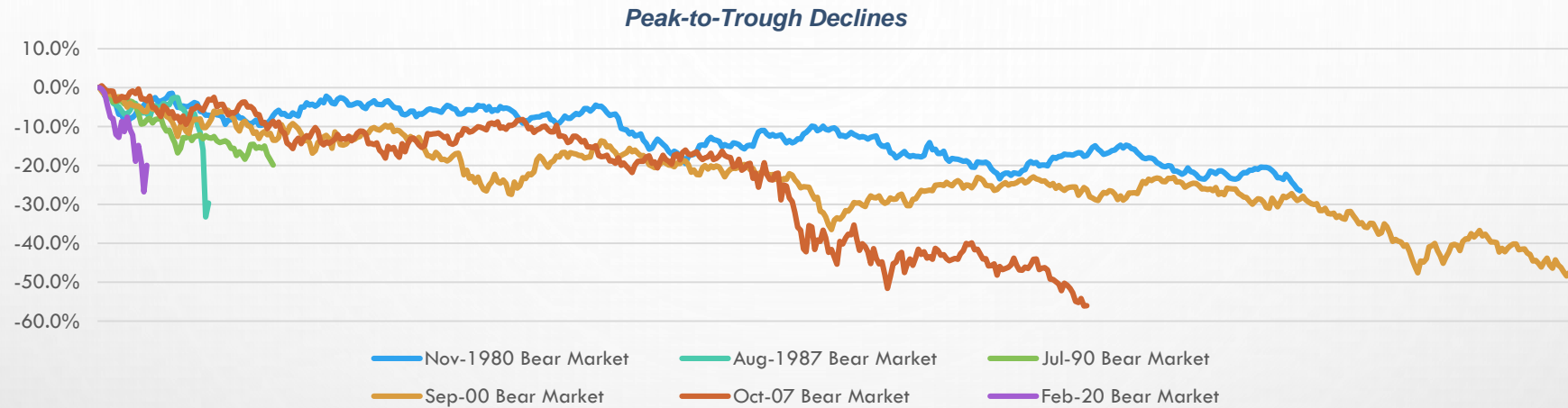
# VERY FEW PLACES TO HIDE

THE PAST MONTH HAS PROVED TO BE CHALLENGING FOR ALL ASSET CLASSES, INCLUDING  
BONDS

	YTD (3/16/2020)	Performance since Feb 14 <sup>th</sup>	2019	Performance since 1/1/2019
<b>FIXED INCOME</b>				
* TIPS (Barclays US TIPS)	-0.2%	-2.0%	8.4%	8.2%
* Core Domestic (Barclays Aggregate)	3.3%	1.3%	8.7%	12.2%
* Municipal (Barclays Municipal 5-Year)	-1.3%	-2.5%	5.4%	4.0%
* High Yield Municipal (Barclays HY Municipal)	-5.4%	-7.8%	10.7%	4.7%
* High Yield (Barclays Corporate High Yield)	-11.6%	-12.5%	14.3%	1.1%
* Int'l Hedged (Barclays Global Agg Ex USD Hedged)	0.6%	-1.1%	7.6%	8.2%
* Int'l Unhedged (Barclays Global Agg Ex USD)	-1.1%	-0.2%	5.1%	4.0%
* Em Mkts Debt (JPM GBI EM Global Diversified)	-13.1%	-12.3%	13.5%	-1.3%
<b>EQUITIES</b>				
* Large Cap (S&P 500)	-25.8%	-29.3%	31.5%	-2.5%
* Small Cap (Russell 2000)	-37.6%	-38.4%	25.5%	-21.7%
* International (MSCI EAFE)	-29.7%	-29.5%	22.0%	-14.3%
* Emerging Markets (MSCI Emerging Markets)	-25.1%	-24.7%	18.4%	-11.3%
<b>REAL ASSETS</b>				
* Domestic Real Estate (NAREIT Equity REIT)	-32.4%	-36.4%	26.0%	-14.8%
* Global Real Estate (S&P Developed Property)	-30.3%	-33.1%	22.8%	-14.4%
* Energy Infrastructure MLPs (Alerian MLP)	-57.2%	-54.8%	6.6%	-54.4%



# BEAR MARKETS SINCE 1980



Starting Market Peak	# Months to Reach Bear Market	Start of Bear Market	# Months from Peak to Bear Market Low	Bear Market Low	Peak-to-Trough Decline	# Months from Bear Market Low to Regain Prior High	First Close above Prior High	6 Months after Bear Market Low	12 Months after Bear Market Low
Nov-80	10.0	Sep-81	20.4	Aug-82	-28%	2.8	Nov-82	44%	57%
Aug-87	1.8	Oct-87	1.8	Oct-87	-36%	21.2	Jul-89	19%	28%
Jul-90	2.9	Oct-90	2.9	Oct-90	-20%	4.6	Mar-91	28%	30%
Sep-00	5.7	Feb-01	25.3	Oct-02	-50%	55.6	May-07	13%	35%
Oct-07	5.2	Mar-08	16.8	Mar-09	-58%	49.1	Apr-13	52%	71%
Feb-20	0.7	Mar-20	0.7	???	-30%	???	???	???	???

# NOTABLE REBOUNDS AMID UNCERTAINTY

15 OF THE 20 SINGLE-BEST DAYS FOR THE S&P 500 INDEX HAVE OCCURRED DURING BEAR MARKETS

Date	Daily % Return	Bull or Bear Market	Prior to Rebound, S&P 500....
10/13/08	11.58	Bear	dropped 15% in prior week
10/28/08	10.79	Bear	dropped 11% in prior week
03/13/20	9.29	Bear	dropped 14% over prior two days
10/21/87	9.10	Bear	down nearly 30% in prior week
03/23/09	7.08	Bull	recently concluded -57% bear market
11/13/08	6.92	Bear	in bear market of Global Financial Crisis; no bottom until March 2009
11/24/08	6.47	Bear	in bear market of Global Financial Crisis; no bottom until March 2009
03/10/09	6.37	Bull	recently concluded -57% bear market
11/21/08	6.32	Bear	in bear market of Global Financial Crisis; no bottom until March 2009
07/24/02	5.73	Bear	down 48% from March 2000 high
09/30/08	5.42	Bear	in the midst of 30% drop from October 2007 high
07/29/02	5.41	Bear	down nearly 40% and attempting to stabilize
10/20/87	5.33	Bear	down nearly 30% in prior week
12/16/08	5.14	Bear	in deeper bear market after rebound attempt; no bottom until March 2009
10/28/97	5.12	Bull	down 11% in same month
09/08/98	5.09	Bull	down 18% in prior three months
05/27/70	5.02	Bull	just concluded 36% bear market
01/03/01	5.01	Bear	down 16% from March 2000 high
12/26/18	4.96	Bear	down 20% in prior 4 months
10/29/87	4.93	Bear	stabilizing in aftermath of Black Monday

Source: Charles Schwab, Bloomberg, as of 3/16/2020. This example is for illustrative purposes only. Bull and bear markets classified using rounded +/-20% changes in S&P 500. Note: March 2000-October 2002 and October 2007-March 2009 are considered bear markets. Past performance is no indication of future results.

## A COMING RECESSION?

- Given the sharp increase in global COVID-19 cases, the risk of a recession (both domestically and globally) have risen sharply
- In the latest WSJ survey (March), economists now forecast....
  - U.S. Q1 GDP at 1.3% (down from 1.6%)
  - U.S. Q2 GDP at -0.1% (down from 1.9%)
  - U.S. Q3 GDP at 1.2% (down from 2.0%)
  - U.S. Full-Year 2020 GDP at 1.2%
- Many economists believe the subsequent economic recovery may be a U-shaped recovery (prolonged bottom) rather than a V-shaped recovery
- The paradox of 'virus economics' (economist Austan Goolsbee)

### Recession Odds Rising

The average probability of the U.S. economy being in a recession within the next 12 months



Source: WSJ Survey of Economists

## PAST RECESSIONS & MARKET RETURNS

*U.S. EQUITY MARKETS HAVE RALLIED MEANINGFULLY FOLLOWING MULTIPLE DIFFERENT U.S. RECESSIONARY PERIODS.*

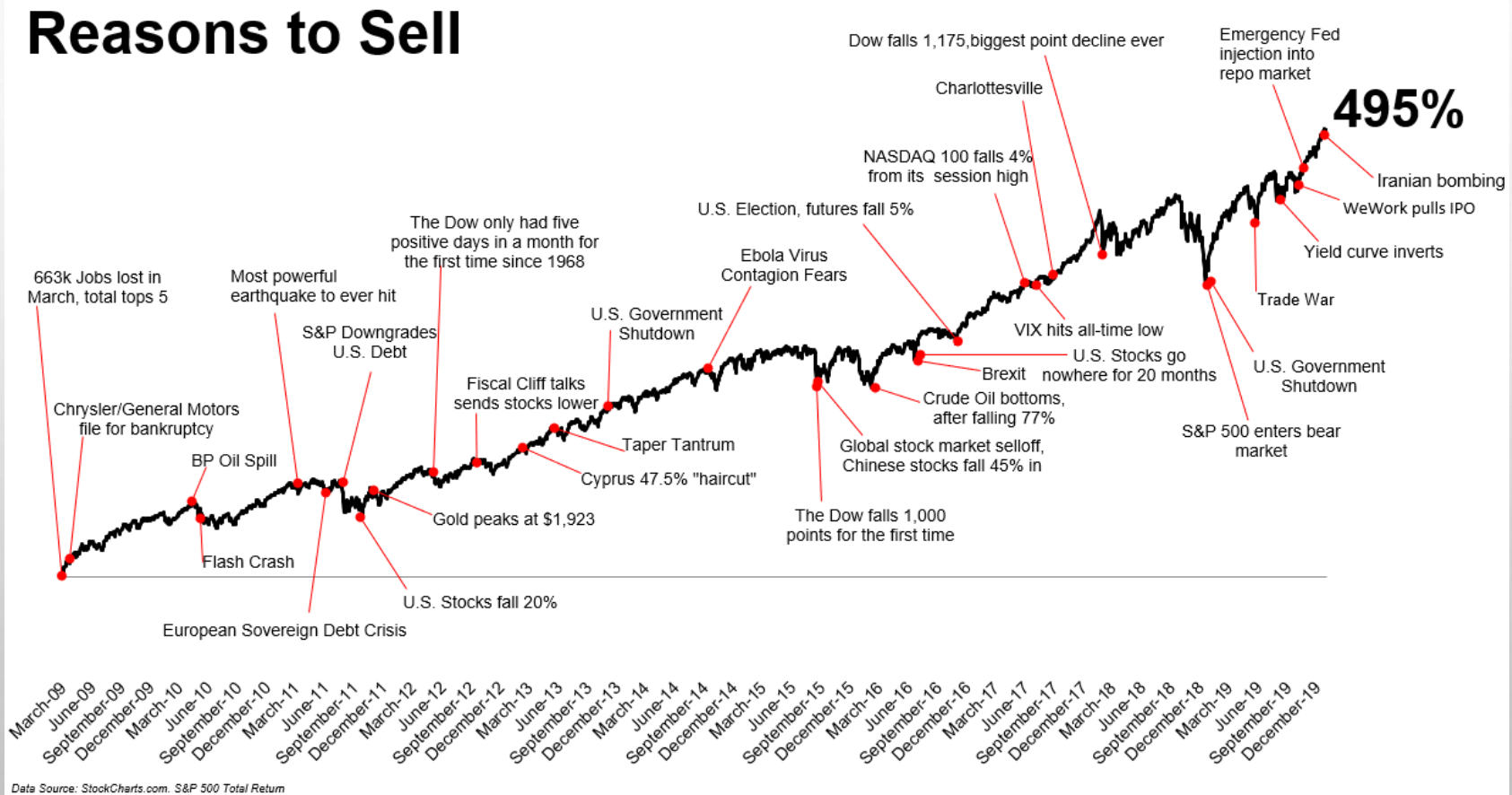
INDEX PEAK	INDEX TROUGH	MONTHS TO TROUGH	PEAK TO TROUGH DECLINE	6-MONTH RETURN AFTER TROUGH
June 1948	June 1949	12	-21%	+23%
January 1953	September 1953	8	-15%	+18%
August 1956	October 1957	15	-22%	+10%
August 1959	October 1960	15	-14%	+25%
November 1968	May 1970	18	-36%	+21%
January 1973	October 1974	21	-48%	+30%
February 1980	March 1980	1	-17%	+31%
November 1980	August 1982	21	-27%	+42%
July 1990	October 1990	3	-20%	+29%
March 2000	October 2002	31	-49%	+12%
October 2007	March 2009	17	-57%	+50%
AVERAGE		15	-30%	+26%
MEDIAN		15	-22%	+25%

Source: BofA Global Investment Strategy, Bloomberg as of 3/13/20.



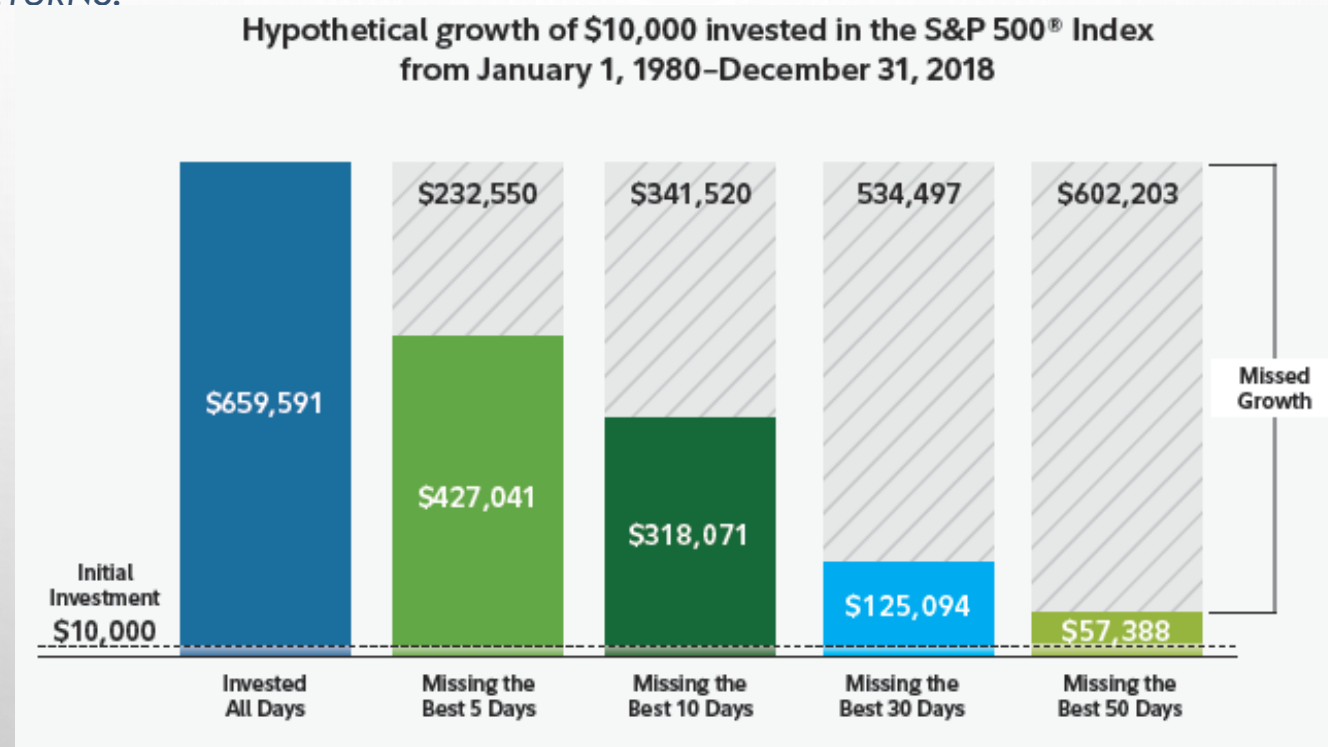
# CLIMBING THE 10-YEAR WALL OF WORRY

THERE HAVE BEEN NUMEROUS EVENTS OVER THE PAST 10+ YEARS THAT WOULD HAVE SUGGESTED A POSSIBLE END TO THE SUSTAINED BULL MARKET.



# MANAGING MARKET VOLATILITY

SOME OF THE MARKET'S BEST DAYS OCCUR IN THE MIDST OF HEIGHTENED UNCERTAINTY; MISSING OUT ON A SIGNIFICANT RECOVERY CAN HAVE A MEANINGFUL IMPACT ON LONGER-TERM RETURNS.



SOURCE: FIDELITY INVESTMENTS, BLOOMBERG.

“FAR MORE MONEY HAS BEEN LOST BY INVESTORS PREPARING FOR CORRECTIONS, OR TRYING TO ANTICIPATE CORRECTIONS, THAN HAS BEEN LOST IN CORRECTIONS THEMSELVES.” – PETER LYNCH



# A P O L L O N

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