

Investing
Insights

good news about bear markets

look
to the
past
for
answers

From 1950 through March 2008 the S&P 500 dropped by at least 15% only 18 times.

The median decline lasted 7 months; In every case, the market was up 12 months later with a median gain of 33%.

The good news is that historically stocks have recovered from bear markets to resume an overall upward trend.

Stock investing involves risk including loss of principal.

Many, although not all, of the market declines listed below occurred during recessions in the United States. Per the U.S. Department of Commerce, over the past 50 years after stocks have made their lows during recessions the economy continued to slow for 4-6 months while stocks rose on average 25% (as measured by the S&P 500). New home prices slid for 2 or more months according to the U.S. Department of Census as stocks climbed 24% (no data prior to 1970), and the U.S. Department of Labor reports that unemployment continued to rise for at least four months as stocks gained close to 30% on average. Thus, using history as a guide, those investors that await an improvement in economic output, home prices, or employment are likely to miss out on powerful gains in stocks.

POST WAR PERIOD

| Peak | Trough | Duration (Months) | S&P 500 Price Decline | Price Gain 12 Months Later |
|------------|------------|-------------------|-----------------------|----------------------------|
| 5/29/1946 | 5/19/1947 | 12 | -28% | 19% |
| 2/2/1953 | 9/14/1953 | 7 | -14% | 38% |
| 7/15/1957 | 10/22/1957 | 3 | -21% | 31% |
| 12/12/1961 | 6/26/1962 | 6 | -28% | 33% |
| 2/9/1966 | 10/7/1966 | 8 | -22% | 33% |
| 11/29/1968 | 5/26/1970 | 18 | -36% | 44% |
| 1/11/1973 | 10/3/1974 | 21 | -48% | 38% |
| 6/30/1975 | 9/16/1975 | 3 | -14% | 28% |
| 12/31/1976 | 3/6/1978 | 14 | -19% | 13% |
| 9/11/1978 | 11/14/1978 | 2 | -14% | 12% |
| 2/13/1980 | 3/27/1980 | 1 | -17% | 37% |
| 11/28/1980 | 8/12/1982 | 21 | -27% | 58% |
| 10/10/1983 | 7/24/1984 | 9 | -14% | 30% |
| 8/25/1987 | 12/4/1987 | 4 | -34% | 26% |
| 7/16/1990 | 10/11/1990 | 3 | -20% | 34% |
| 7/17/1998 | 8/31/1998 | 3 | -19% | 40% |
| 3/24/2000 | 10/9/2002 | 30 | -47% | 36% |
| Median | | 7 | -21% | 33% |
| 10/9/2007 | 3/10/2008 | 5 | -19% | |

Source: Zephyr

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