CAPITAL VIEW INVESTMENT GROUP

Advisors with D.A. Davidson & Co. member SIPC

Quarterly Newsletter

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The investment world is full of terminology and jargon that is often confusing or misunderstood. A couple of terms that have been heavily used recently are “recession” and “bear market”. While they are often used in conjunction with one another; their meanings are quite different. Generally speaking; a recession refers to a significant decline in economic activity, often marked by rising levels of unemployment, falling consumer spending, and flat, or even declining wages. The simplest and most strict definition of a recession is, “when gross domestic product (GDP) declines for two consecutive quarters. Recession is an economic term used to measure and label past performance of GDP.

History of U.S. Bear & Bull Markets

Daily Returns Since 1942

First Trust

This chart shows daily historical performance of the S&P 500 Index throughout the U.S. Bull and Bear Markets since 1942. We believe looking at the history of the market's expansions and recessions helps to gain a fresh perspective on the benefits of investing for the long-term.

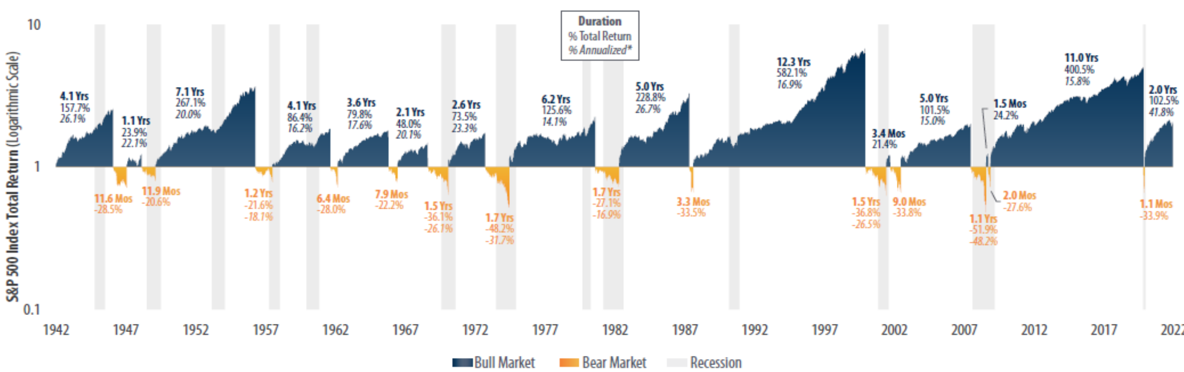
- The average **Bull Market** period lasted 4.4 years with an average cumulative total return of 154.9%.
- The average **Bear Market** period lasted 11.3 months with an average cumulative loss of -32.1%.

BULL

From the lowest close reached after the market has fallen 20% or more, to the next market high.

BEAR

When the index closes at least 20% down from its previous high close, through the lowest close reached after it has fallen 20% or more.



Source: First Trust Advisors L.P., Bloomberg. Daily returns from 4/29/1942 - 3/31/2022. *No annualized return shown if duration is less than one year. **Past performance is no guarantee of future results.** These results are based on daily returns–returns using different periods would produce different results. The S&P 500 Index is an unmanaged index of 500 companies 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. 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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A “bear market” on the other hand is a term defined as a “20 percent pullback or more in a market index”. As you can see from the chart above, we have had 15 (including 2022) bear markets over the last 80 years. Also depicted in the chart are gray areas that signify recession. As you can see, not all bear markets include recessions and vice versa; but the two are obviously correlated. On June 17th, the S&P 500 recorded a low of 3636.87; a little over 24% below the S&P 500’s all-time high of 4818.62 in December of 2021.

So, while we have definitely experienced a bear market in 2022; there is a lot of debate among economists whether or not we are going to experience a recession. Frankly, whether or not we officially reach the definition of a recession is not all that important to our portfolios. Often, by the time an official recession is declared, markets have already begun rebounding and looking forward to better economic times on the horizon.

As evidenced in the chart above, bear markets are a painful but necessary part of the investing cycle. They tend to be much shorter than bull markets (thank goodness); but still difficult and uncertain. We never know how long they will last (the average period over the last 80 years is 11.3 months) or how deep the pull-back will be (again the average of the last 80 years was -32.1%), and no two bear markets are exactly the same. However, we do know that markets always come back to make new all-time highs; and investors that stay the course are rewarded for doing so. We don’t believe that this time is any different. Please contact us to review your current & future financial goals.

All the best - Mark, Brad T., Drew, Brad H., Renee & Erin

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