How Long Will It Take to Recover My Losses?

Client feedback from our second quarter *Overview* revealed an important blind spot in the report. We failed to address one of the most important questions on investors' minds: "How long will it take to recover my losses?" The answer is unknowable, but we can frame a range of expectations based upon historical bear markets.

U.S. Stock Market Drawdowns and Recoveries
Jan. 1 1929 to Dec. 31 2021[1]

Peak Date	Trough Date	Drawdown	Months To Recover	Gain Needed To Recover
9/7/1929	6/1/1932	-86.2%	159	624.6%
9/7/1932	2/27/1933	-40.6%	3	68.4%
7/18/1933	10/19/1933	-29.8%	22	42.5%
2/6/1934	3/14/1935	-31.8%	6	46.6%
3/6/1937	3/31/1938	-54.5%	77	119.8%
11/9/1938	4/11/1939	-26.2%	46	35.5%
10/25/1939	6/10/1940	-31.9%	32	46.8%
11/9/1940	4/28/1942	-34.5%	10	52.7%
5/29/1946	10/9/1946	-26.6%	36	36.2%
6/15/1948	6/13/1949	-20.6%	6	25.9%
7/15/1957	10/22/1957	-20.7%	10	26.1%
12/12/1961	6/26/1962	-28.0%	11	38.9%
2/9/1966	10/7/1966	-22.2%	6	28.5%
11/29/1968	5/26/1970	-36.1%	20	56.5%
1/11/1973	10/3/1974	-48.2%	46	93.1%
9/21/1976	3/6/1978	-19.4%	13	24.1%
11/28/1980	8/12/1982	-27.1%	3	37.2%
8/25/1987	12/4/1987	-33.5%	17	50.4%
7/16/1990	10/11/1990	-19.9%	4	24.8%
7/17/1998	8/31/1998	-19.3%	3	23.9%
3/24/2000	10/9/2002	-49.1%	48	96.5%
10/9/2007	3/9/2009	-56.8%	37	131.5%
4/29/2011	10/3/2011	-19.4%	4	24.1%
9/20/2018	12/24/2018	-19.8%	4	24.7%
2/19/2020	3/23/2020	-33.9%	6	51.3%

The average time to recovery among all periods above is 25 months. If you exclude the Great Depression, the average recovery time improves to 19 months. More than half of the drawdowns were recovered within 13 months (14 of 25 events). As one would expect, there is a correlation between the depth of the drawdown and the time required for recovery, but a few steep declines were recovered quite quickly (1933, 1942, 1982 and 2020).

[1] **The Sources for all of the data on this page are:** Bloomberg; Standard & Poor's; https://awealthofcommonsense.com/2020/03/how-long-does-it-take-to-make-your-money-back-after-a-bear-market/

Catching the Turn is Important

The initial move higher from a bear market bottom is frequently sharp, so it is important not to miss it. Unfortunately, the date of the bottom is unknowable in real time, so the only way to catch it (besides blind luck) is to stay invested. The average return during the first 30 trading days of past bear market recoveries has been 14.1%, while a quick bounce of more than 20% has happened in five of the 25 downturns since 1929.

U.S. Stock Market Recoveries
First 30 Trading Days from the Bottom
Jan. 1 1929 to Dec. 31 2021[2]

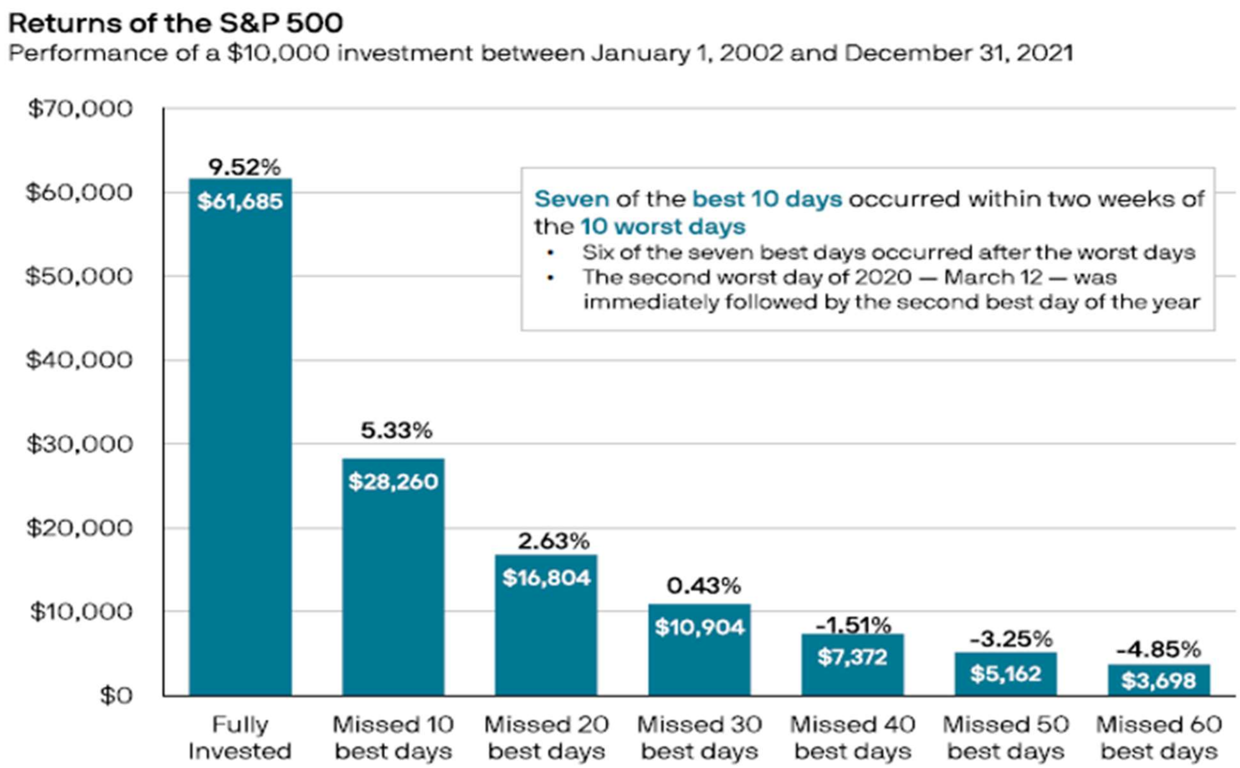
Peak Date	Trough Date	Drawdown	First 30 Trading Days Following Trough Date
9/7/1929	6/1/1932	-86.2%	8.9%
9/7/1932	2/27/1933	-40.6%	41.4%
7/18/1933	10/19/1933	-29.8%	15.0%
2/6/1934	3/14/1935	-31.8%	16.6%
3/6/1937	3/31/1938	-54.5%	20.7%
11/9/1938	4/11/1939	-26.2%	6.6%
10/25/1939	6/10/1940	-31.9%	13.8%
11/9/1940	4/28/1942	-34.5%	12.3%
5/29/1946	10/9/1946	-26.6%	0.1%
6/15/1948	6/13/1949	-20.6%	13.5%
7/15/1957	10/22/1957	-20.7%	6.5%
12/12/1961	6/26/1962	-28.0%	10.9%
2/9/1966	10/7/1966	-22.2%	9.4%
11/29/1968	5/26/1970	-36.1%	6.1%
1/11/1973	10/3/1974	-48.2%	17.8%
9/21/1976	3/6/1978	-19.4%	8.0%
11/28/1980	8/12/1982	-27.1%	20.1%
8/25/1987	12/4/1987	-33.5%	11.8%
7/16/1990	10/11/1990	-19.9%	7.2%
7/17/1998	8/31/1998	-19.3%	4.1%
3/24/2000	10/9/2002	-49.1%	17.9%
10/9/2007	3/9/2009	-56.8%	25.6%
4/29/2011	10/3/2011	-19.4%	14.2%
9/20/2018	12/24/2018	-19.8%	15.3%
2/19/2020	3/23/2020	-33.9%	28.4%

[2] **Source:** Capital Advisors, Inc.; Bloomberg; Standard & Poor's; https://awealthofcommonsense.com/2020/03/how-long-does-it-take-to-make-your-money-back-after-a-bear-market/

Stocks for the Long Run

Another important aspect of stock market behavior is the significance of the best days during an investor's holding period. Stocks travel an unpredictable pathway of fits and starts. Catching the best days matters a lot. The best way to maximize the growth potential of the stock market is to size your allocation to equities appropriately for your risk tolerance, and then stick with it.

10 Trading Days Can Make All the Difference



Source: J.P. Morgan Asset Management analysis using data from Bloomberg. Returns are based on the S&P 500 Total Return Index, an unmanaged, capitalization-weighted index that measures the performance of 500 large capitalization domestic stocks representing all major industries. Indices do not include fees or operating expenses and are not available for actual investment. The hypothetical performance calculations are shown for illustrative purposes only and are not meant to be representative of actual results while investing over the time periods shown. The hypothetical performance calculations are shown gross of fees. If fees were included, returns would be lower. Hypothetical performance returns reflect the reinvestment of all dividends. The hypothetical performance results have certain inherent limitations. Unlike an actual performance record, they do not reflect actual trading, liquidity constraints, fees and other costs. Also, since the trades have not actually been executed, the results may have under- or overcompensated for the impact of certain market factors such as lack of liquidity. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. Returns will fluctuate and an investment upon redemption may be worth more or less than its original value. Past performance is not indicative of future returns. An individual cannot invest directly in an index. Data as of December 31, 2021.

Disclosures

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2022.10.04