Bouncing Back From Market Declines

FINANCIAL FYI®

You know that the stock market swings between highs and lows for many reasons. But big moves down can be unsettling.

Some events or factors can lead to declines of 10% or more, known as market corrections. Then there are bear markets, which are declines of 20% or more and usually last longer than corrections.

Looking at past market declines—understanding why they started, how often they occurred and what happened after—can help you make more informed investment decisions during turbulent times.

Corrections are generally shorter-lived declines between 10% and 20%, while **Bear Markets** are declines of 20% or more and can last longer, even years.

How Long Do Corrections and Bear Markets Last?

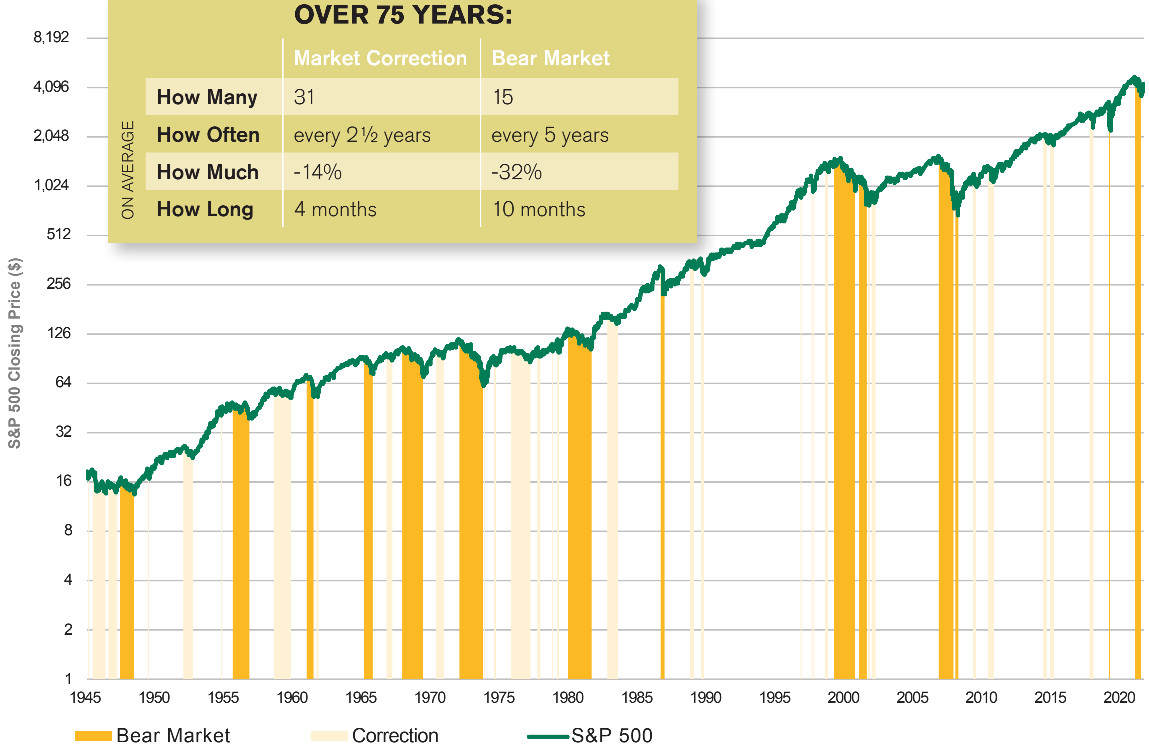
Corrections are normal, even if they don't feel that way. On average, corrections have happened about every two years and lasted a few months. However, they can take place more or less frequently.

Over the past 75 years, bear markets have occurred roughly every five years and lasted 10 months on average.

Market Corrections Happened Every 2 Years on Average

OVER 75 YEARS:

ON AVERAGE	Market Correction	Bear Market
How Many	31	15
How Often	every 2½ years	every 5 years
How Much	-14%	-32%
How Long	4 months	10 months

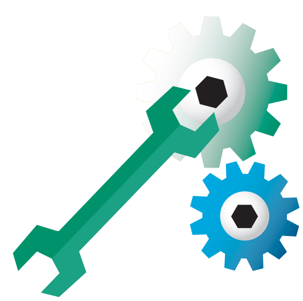


Data from 1/1/1946 to 8/31/2022
Source: FactSet and American Century Investments

Why Markets Decline

Corrections can occur when an asset or an entire market's prices are overinflated. Many investment professionals assume corrections will happen periodically and believe they are necessary to return stock values back to "normal."

Reasons for bear markets may be less expected. For example, emotions surrounding economic or political events can influence a market sell-off. While no one can accurately predict when bear markets occur, history tells us that markets do rebound.



What Happens After Market Declines?

Bear markets may seem drastic, but in many cases, the recoveries have been dramatic. History shows that markets have recovered after periods of declines—and even rewarded those who remained invested.

Bear Markets Through History, Their Recoveries and ...

Downturn			Recovery: Post-Downturn Cumulative Return		
Time Frame of Downturn	How Many Months	% Decline	1 Year Later	5 Years Later	10 Years Later
October 9, 2007 – November 20, 2008	14.5	-51.9%	45.0%	136.7%	251.1%
January 11, 1973 – October 3, 1974	22.5	-48.2%	38.0%	76.0%	160.8%
March 24, 2000 – September 21, 2001	19.5	-36.8%	-12.5%	36.5%	20.8%
November 29, 1968 – May 26, 1970	19.0	-36.1%	43.7%	30.7%	59.6%
February 19, 2020 – March 23, 2020	1.0	-33.9%	74.8%		
August 25, 1987 – December 4, 1987	3.5	-33.5%	21.4%	93.0%	334.6%
January 4, 2002 – July 23, 2002	7.0	-32.0%	23.9%	93.3%	69.3%
May 29, 1946 – May 19, 1947	12.5	-28.5%	18.9%	71.5%	242.4%
December 12, 1961 – June 26, 1962	7.0	-28.0%	32.7%	75.2%	105.4%
January 6, 2009 – March 9, 2009	2.0	-27.6%	68.6%	177.6%	305.5%
November 28, 1980 – August 12, 1982	22.0	-27.1%	58.3%	224.5%	307.9%
January 3, 2022 – June 16, 2022	6.0	-23.6%			
February 9, 1966 – October 7, 1966	8.5	-22.2%	32.9%	36.6%	41.4%
August 2, 1956 – October 22, 1957	16.0	-21.6%	31.0%	41.0%	144.7%
June 15, 1948 – June 13, 1949	13.0	-20.6%	42.1%	110.9%	322.6%
Average	**11.6**	**-31.4%**	**37.1%**	**92.6%**	**182.0%**

The table above shows all of the bear markets since 1928, as defined by Standard & Poor's using the S&P 500® Index. The returns are price returns only, not total returns, and thus do not include dividends. Past performance is no guarantee of future results. Thus, the table should not be taken as an implication of future returns. Rather, it should serve as a reminder of the past resiliency of U.S. financial markets.

Sources: Standard & Poor's; American Century Investments.

the Bottom Line

DURING THE FALL:

11.6 months
Average Length of Bear Markets

-31.4%
Average Decline During Bear Markets

IN THE RECOVERY:

37.1%
1 Year Later

92.6%
5 Years Later

182.0%
10 Years Later

Post-Downturn Cumulative Returns

Tips for Getting Through Market Declines

Although watching markets decline can be nerve-racking, we believe keeping your money invested longer will give you the best opportunity to reach your long-term goals. Trying to time when to buy and sell investments can lower your returns substantially.

However, regular monitoring of your portfolio's investment mix is essential in any environment. For those close to retirement or other major financial goals, it may be a good time to reevaluate your portfolio's level of risk. A financial professional can help you figure out if your investments are aligned with your goals.

Investment return and principal value of security investments will fluctuate. The value at the time of redemption may be more or less than the original cost. Past performance is no guarantee of future results.

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