# 6 charts offer lessons from past bear markets

Market movements from a dozen previous downturns offer perspective amid tumultuous weeks spurred by the COVID-19 virus.

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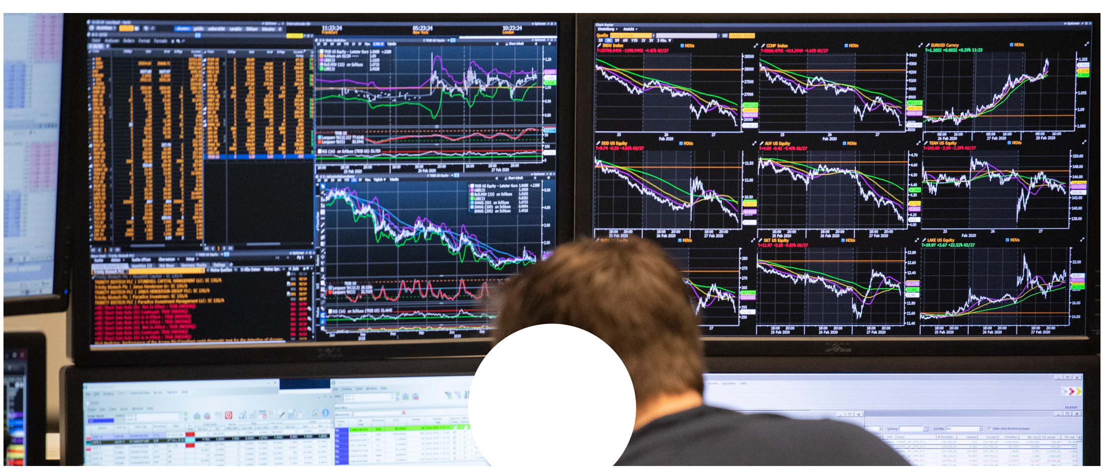



# Bear Market: What you need to know and how you should treat your finances

Bear Market is a term that sends fear into Wall Street and investors. What does it mean? And when do we enter a Bear Market?

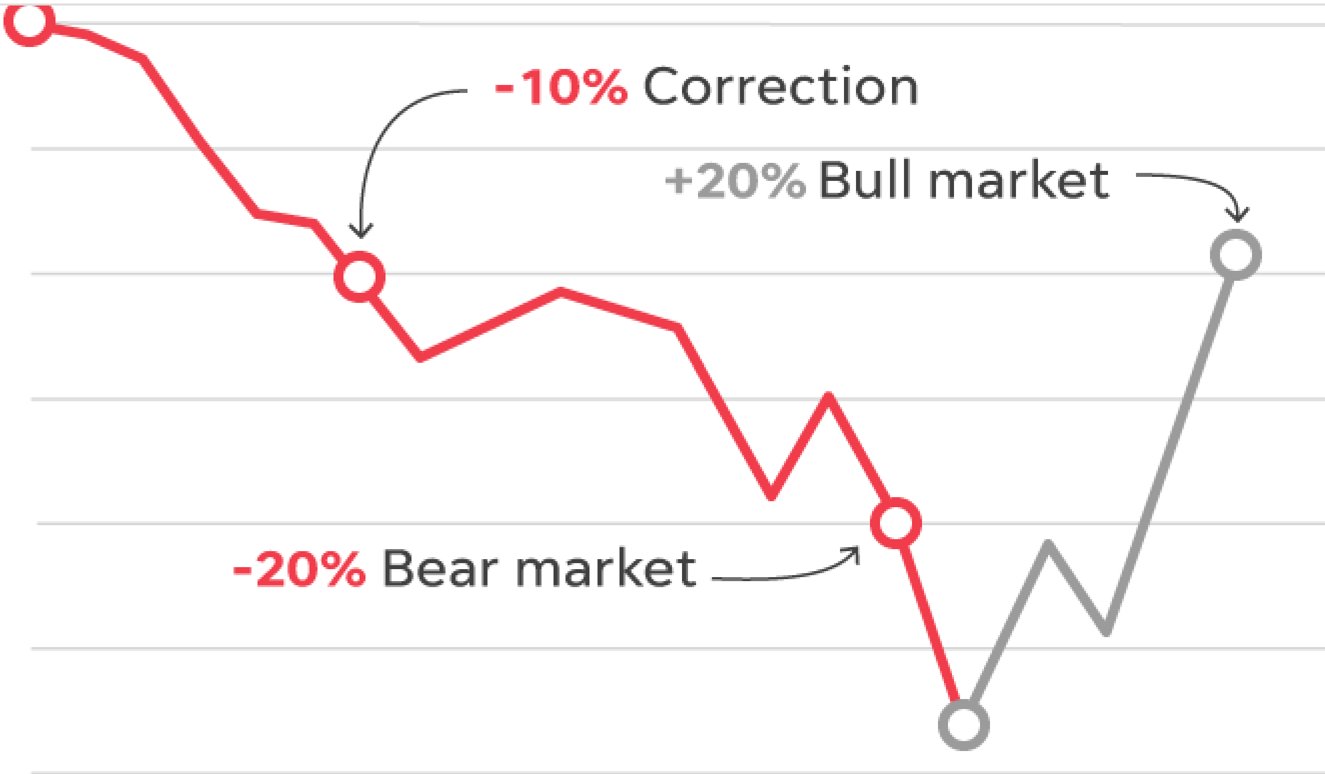
USA TODAY

We're in a bear market. Now what?

All three major U.S. stock indexes have moved into bear territory this month after multiple tumultuous days on Wall Street. While this may seem a bit foreign after an 11-year bull market, bears are part of investing.

A bear market, you may remember, is defined as a drop of 20% or more from a prior closing high. The S&P 500, Dow Jones Industrial Average and Nasdaq have all closed 20% below the all-time highs they reached in February to end their bull-market runs.

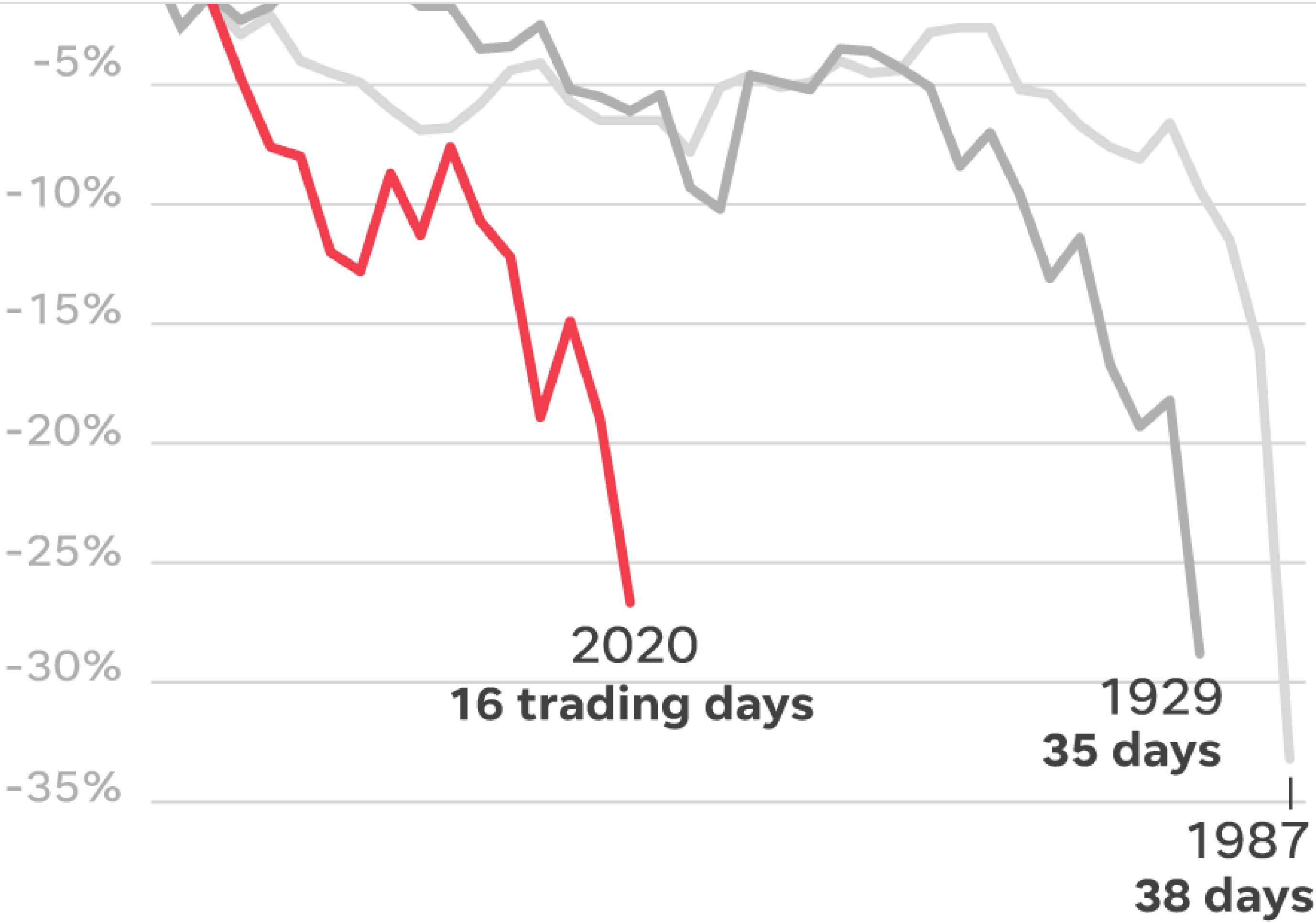
The uncertainty surrounding the new coronavirus, or COVID-19, has left investors wondering what will unfold during the coming days and weeks, including the likelihood of a U.S. or global recession as countries shut down business and travel to contain the spreading virus.




How much longer the decline will continue is impossible to say, but the seven charts we've compiled from the last 13 bear markets can offer perspective of how markets have tumbled and later recovered.

## This is the fastest bear

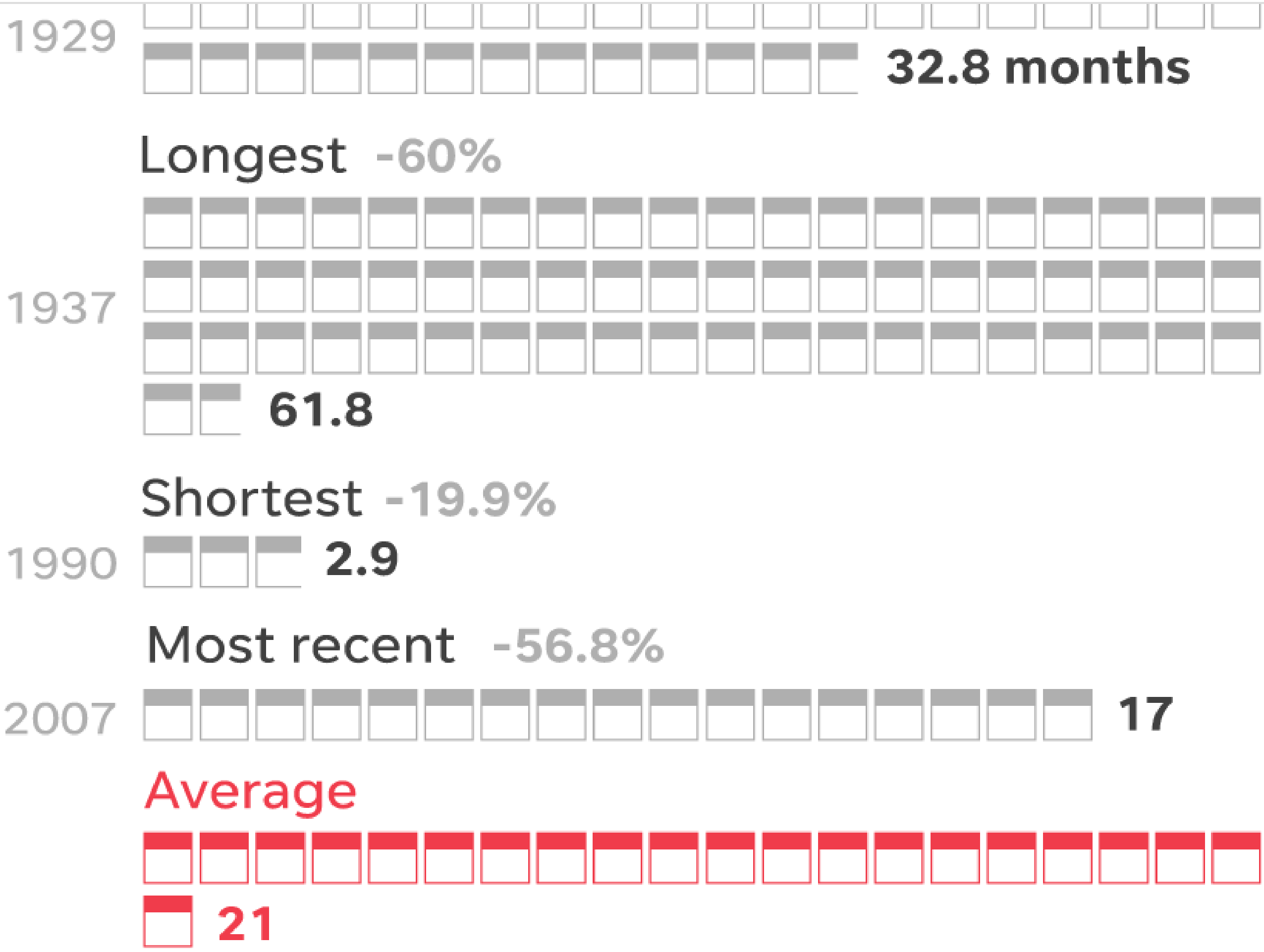
Only the Great Depression and the 1987 Black Monday crash come close to matching the speed with which this downturn has turned into a bear market. This bear market was 10 times faster than the average of 164 days.




SOURCE Yahoo! Finance

## Markets could be choppy for weeks

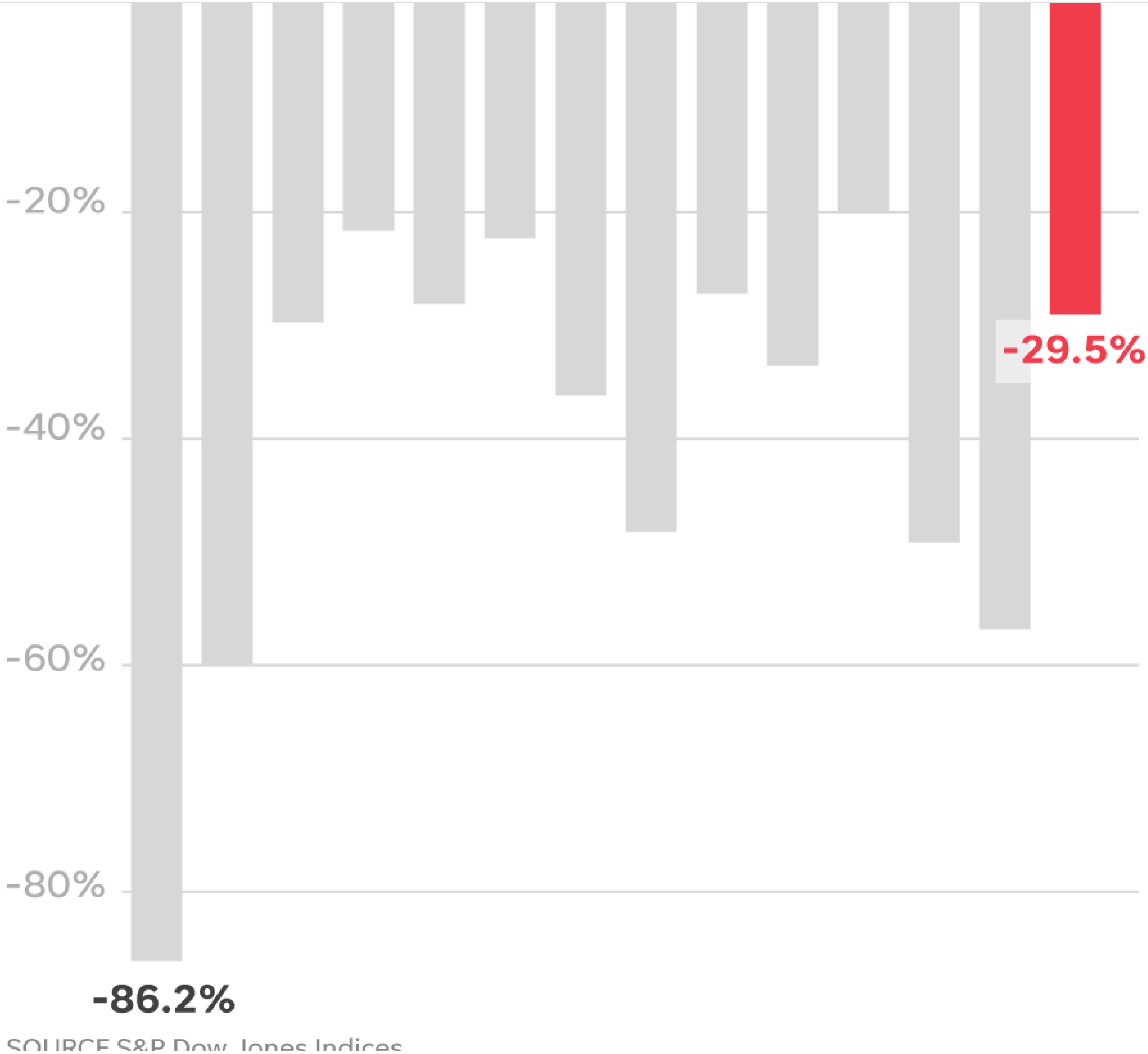
History doesn't suggest there will be a bottom in the near future. While we may not experience massive declines like we've endured in recent weeks, it's important to note that the shortest bear market lasted three months.




SOURCE S&P Dow Jones Indices

## Bears cut more deeply

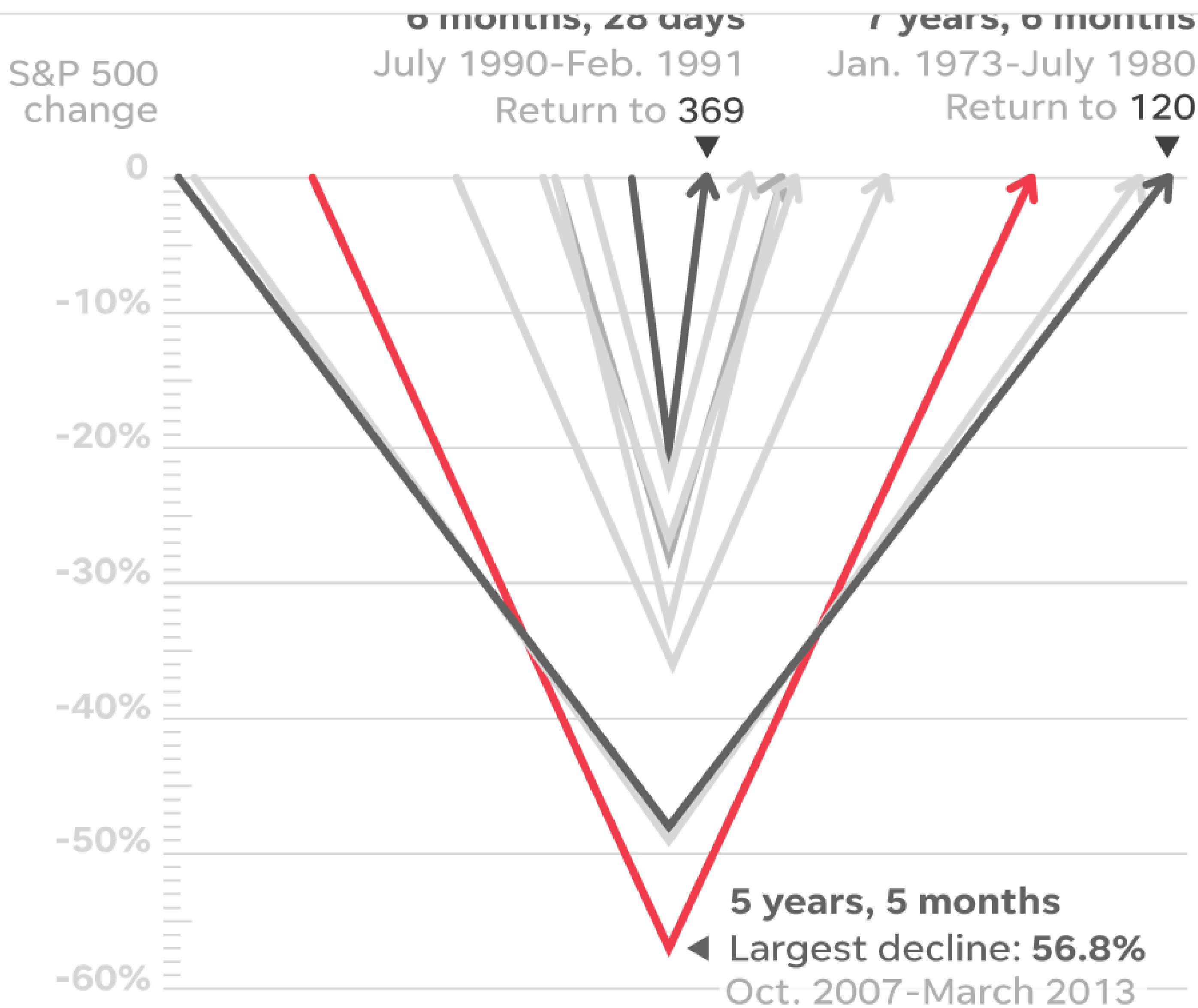
These are still the early days of this bear market, and while the rapid descent of stocks might make this feel like a historically sharp fall, so far, the market decline is smaller than the average bear. The S&P 500 has fallen by about 40% on average.




## It's a long way back up

Once the bear market is over, getting back to the top has often been a long climb. No climb matches that of the Great Depression stock market. It took about 25 years (Sept. 22, 1954) for the S&P index to reach 31.92 after it closed there on Sept. 7, 1929.

The return to a peak has been significantly shorter in other bear markets, but it's taken 3.3 years on average for investors to get back to where they started.

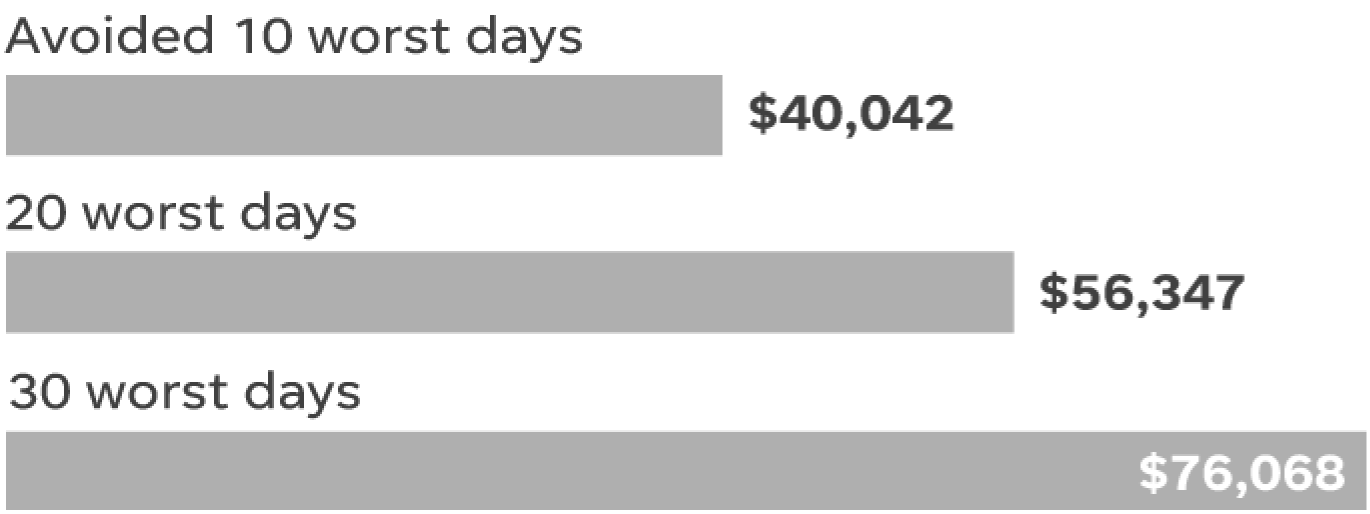



## Just hang on

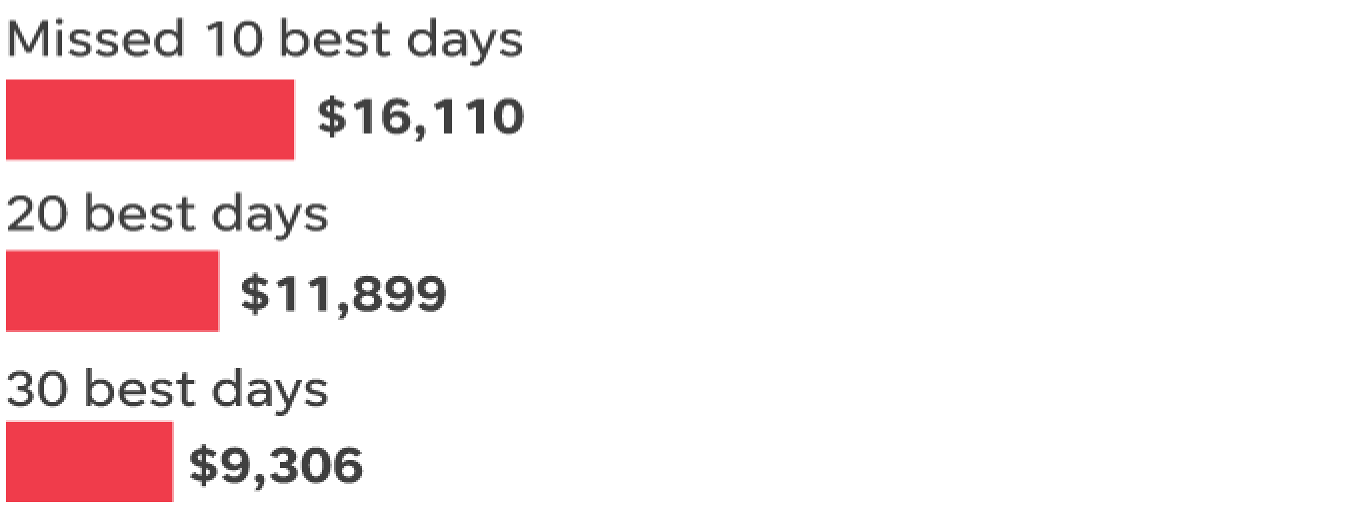
If you sold your S&P 500 mutual funds or ETFs before Feb. 19, you're one of the lucky ones. Rarely are any of us so lucky.

Avoiding sell-offs is difficult, if not impossible. Investors often sell when U.S. markets suffer staggering losses as they have in the past few weeks, and they may be left behind when stocks make their biggest advances.

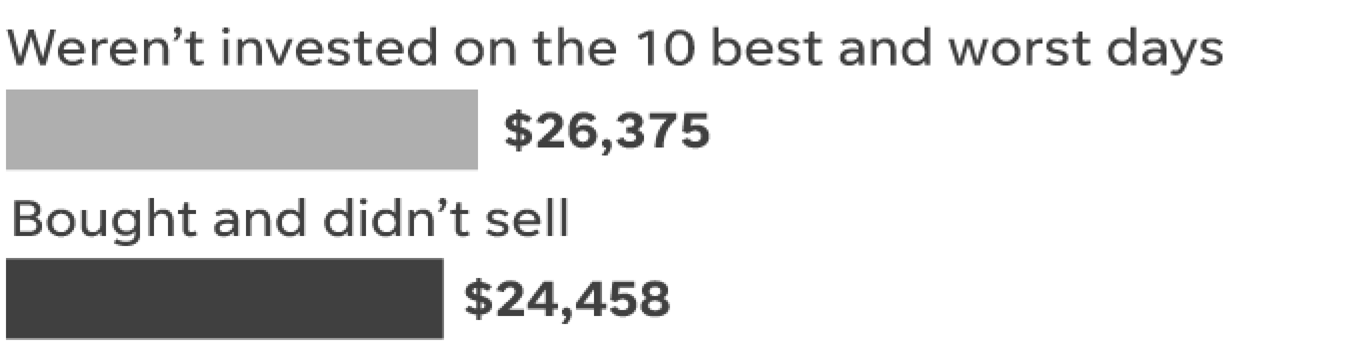
Consider how much you would have gained if you had sold before 10 of the worst days during the past 10 years.




Here's what your $10,000 would have amounted to if 10 years ago you sold before some of the best days:



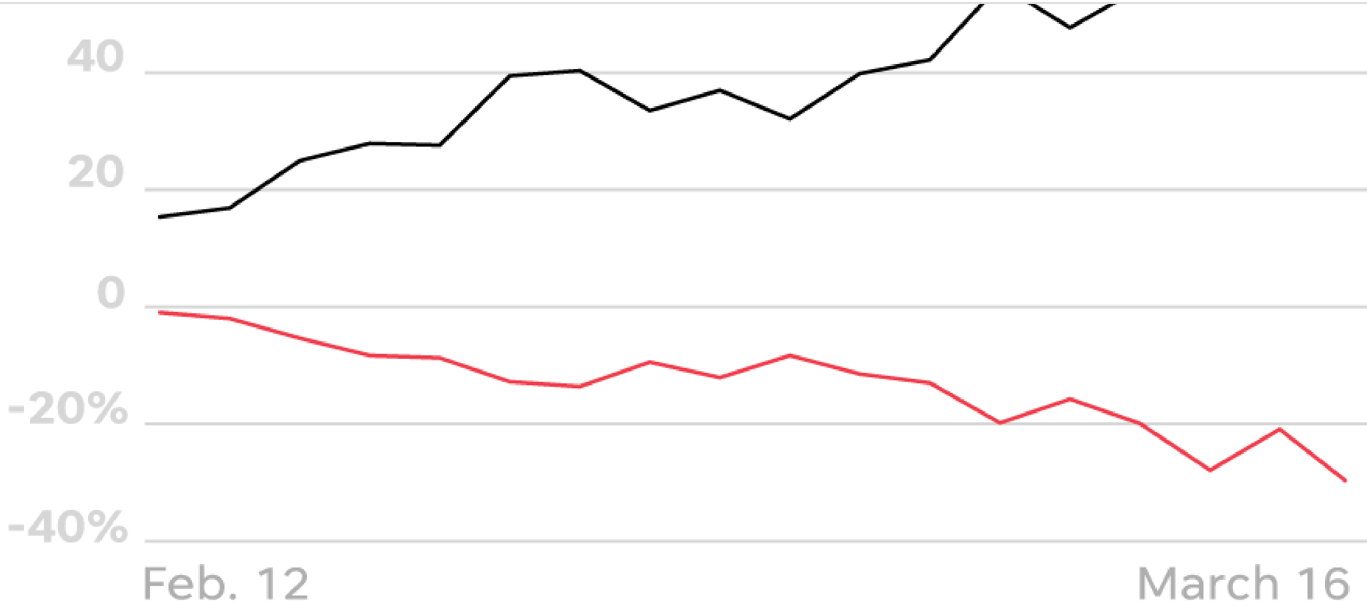

Most of us aren't prescient enough to know what tomorrow will bring – especially right now. So you could attempt to buy and sell at just the right times, but just doing nothing might have the similar result.



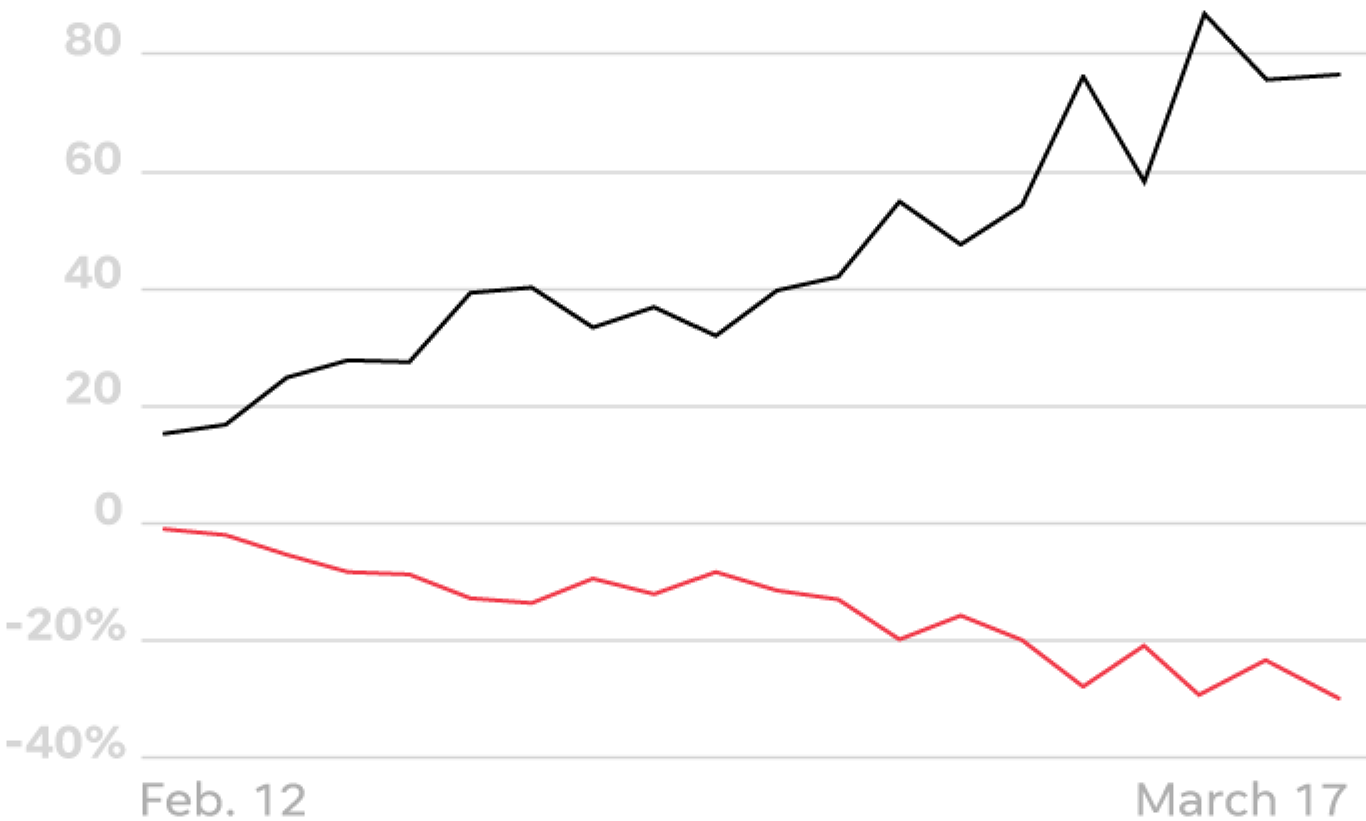
"Don't try to catch a falling knife" is a warning repeated frequently in times like this. When markets have fallen so significantly, it's tempting to think the market is on sale one day only to see it decline the next.

If you did sell recently, how do you know when things are getting back to normal? One measure would be the volatility index created by the Chicago Board Options Exchange – ticker symbol: VIX. Some have called it the "fear gauge" because it indicates when investors are buying protection against declines in the market.

When the VIX begins closing over 20, it's often a sign that investors are seeing troubling signs in the market. Similarly, when the VIX starts to fall back to normal levels, investors foresee more regular market conditions in the near future.


In recent days the VIX has climbed to levels not even seen during the financial crisis in October 2008, signaling the continued uncertainty brought on by the coronavirus pandemic.

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