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Investment Institute

Chart of the Week

Weekly market analysis on key market indexes — June 28, 2022

A review of the past 11 bear markets

Bear market start	Bear market length (months)	Overlapping recession?	Bear market returns	6-month returns after bear end	12-month returns after bear end	Length to recover from bear trough (months)
1946	36.53	Yes	-29.6%	22.8%	42.1%	11.87
1956	14.66	Yes	-21.6%	9.8%	31.0%	11.08
1961	6.44	No*	-28.0%	20.5%	32.7%	14.27
1966	7.89	No	-22.2%	22.1%	32.9%	6.87
1968	17.85	Yes	-36.1%	22.8%	43.7%	21.37
1973	20.71	Yes	-48.2%	30.9%	38.0%	69.50
1980	20.45	Yes	-27.1%	44.1%	58.3%	2.73
1987	3.32	No	-33.5%	19.0%	21.4%	19.73
2000	30.54	Yes	-49.1%	11.5%	33.7%	55.69
2007	17.00	Yes	-56.8%	52.7%	68.6%	48.66
2020	1.08	Yes	-33.9%	44.7%	74.8%	4.87
Average overall	**16.0**		**-35.1%**	**27.4%**	**43.4%**	**24.2**
Average w/o recession	**5.9**		**-27.9%**	**20.5%**	**29.0%**	**13.6**
Average w/ recession	**19.9**		**-37.8%**	**28.7%**	**48.8%**	**28.2**

Sources: Bloomberg and Wells Fargo Investment Institute. Data as of May 31, 2022. *1961 recession ended in February, whereas the S&P 500 Index peaked in December 1961. Returns measured by the S&P 500 Index. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

The 11 bear markets since World War II have averaged 16 months in duration

After peaking on January 3, 2022, the S&P 500 Index dropped to bear market levels on June 13 when it closed at 3,750, down 21.8% from its peak of 4,797. This marks the 12th bear market since World War II, and it means that we are already more than five months into the current bear market.

The average bear market has lasted 16 months, although bear markets accompanied by a recession have averaged closer to 20 months. While the average S&P 500 Index decline for a bear market has been 35.1%, the index has risen 43.4% on average in the 12 months following the end of a bear market. It has taken the S&P 500 Index an average of about 24 months to return to its prior peak.

What it may mean for investors

The S&P 500 Index remains in a downtrend, and we believe the technical damage in markets to date likely will take time to repair. It may be tempting to try and take advantage of recent weakness, but while we expect additional entry points in coming months, for now we favor patience before committing new cash to equities. With the Federal Reserve just beginning the tightening cycle, we have shifted our investment preferences away from economically sensitive assets and toward more quality-oriented and defensive assets.

This table was excerpted from *Economic and Market Strategy Update* (June 2022).

Risk Considerations

Each asset class has its own risk and return characteristics. The level of risk associated with a particular investment or asset class generally correlates with the level of return the investment or asset class might achieve. **Stock markets**, especially foreign markets, are volatile. Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors.

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