

# Investing through recessions

Investors may be feeling anxious amid increasing signs the economy is in or near a recession, but a look at the past 10 downturns suggests there's reason to stay the course.

S&P 500 returns after recession lows				
S&P 500 low date during recession*	S&P 500 gain (loss) after			
	3 months	6 months	9 months	12 months
June 13, 1949	14.5%	19.2%	26.6%	33.7%
September 14, 1953	9.9	17.7	27.5	38.5
October 22, 1957	6.1	9.8	19.0	31.5
October 25, 1960	15.9	25.2	27.6	30.9
May 26, 1970	16.9	20.8	38.7	44.5
October 3, 1974	13.5	29.9	51.5	34.6
March 27, 1980	18.3	31.1	39.1	37.1
August 12, 1982	37.8	41.6	61.1	57.7
October 11, 1990	6.7	28.8	28.7	28.8
September 21, 2001	18.0	17.2	2.8	(13.7)
<b>Mean</b>	<b>15.8</b>	<b>24.1</b>	<b>32.2</b>	<b>32.4</b>
<b>Median</b>	<b>15.2</b>	<b>23.0</b>	<b>28.1</b>	<b>34.2</b>

- A study by Ned Davis Research shows that Standard & Poor's 500 Composite Index has tended to bounce back quickly after bottoming out during the past 10 recessions. The index generated a 24% mean return six months after bottoming and 32% a year later (see chart at left). No one can predict a market bottom, but investors who maintained a long-term perspective and held onto their investments stood to benefit.
- Investors who sold stock mutual funds to avoid the pain of a recession and reinvested later could have missed most of the subsequent recovery. The S&P 500 rose more than 15% on average three months after recession low points.
- Although they feel like turbulent times, recessions can represent a buying opportunity for investors who stick to a program of investing regularly. There's no guarantee the market will turn around soon after a recession, and past results are not predictive of results in future periods. However, the S&P 500 generated positive results in nearly every 3-, 6-, 9- and 12-month period following its low point during the last 10 recessions.

Source: Ned Davis Research, Inc.

\* As defined by the National Bureau of Economic Research (NBER).