# Lessons from Market History

*Insights from Past Crises*

Presented by:
Phil Parker, CFP®

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# S&P 500© Index: Positive and Negative Years - *Since 1926*

Below we look at the S&P 500 Index since 1926 and compare the average annual total returns of the last 98 years. Although stock market returns fluctuate significantly, since 1926, the S&P 500 Index produced positive returns 73% of the time, with an average of 21.4%. In 27% of those years the return was negative, with an average of -13.4%.

**1926-2023: 10.3%**
**98-Year Average Annual Return**

**72**
Positive Years

**21.4%**
Average Positive Return

**-13.4%**
Average Negative Return

**26**
Negative Years

| Down 28%+ | | Down 21-28% | | Down 14-21% | | Down 7-14% | | Down 0-7% | | Up 0-7% | | Up 7-14% | | Up 14-21% | | Up 21-28% | | Up 28%+ | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2008 | -37.00% | 2002 | -22.10% | 2022 | -18.06% | 2001 | -11.89% | 2018 | -4.38% | 2015 | 1.38% | 2016 | 11.96% | 2020 | 18.40% | 2023 | 26.29% | 2021 | 28.48% |
| 1937 | -35.03% | 1974 | -26.47% | 1973 | -14.66% | 2000 | -9.10% | 1990 | -3.17% | 2011 | 2.11% | 2014 | 13.69% | 2012 | 16.00% | 2017 | 21.83% | 2019 | 31.49% |
| 1931 | -43.34% | 1930 | -24.90% | | | 1977 | -7.18% | 1981 | -4.91% | 2007 | 5.49% | 2004 | 10.88% | 2010 | 15.06% | 2009 | 26.46% | 2013 | 32.39% |
| | | | | | | 1969 | -8.50% | 1953 | -0.99% | 2005 | 4.91% | 1993 | 10.08% | 2006 | 15.79% | 1999 | 21.04% | 2003 | 28.68% |
| | | | | | | 1966 | -10.06% | 1939 | -0.41% | 1994 | 1.31% | 1992 | 7.67% | 1988 | 16.81% | 1996 | 23.07% | 1998 | 28.58% |
| | | | | | | 1962 | -8.73% | 1934 | -1.44% | 1987 | 5.23% | 1968 | 11.06% | 1986 | 18.47% | 1983 | 22.51% | 1997 | 33.36% |
| | | | | | | 1957 | -10.78% | | | 1984 | 6.27% | 1965 | 12.45% | 1979 | 18.44% | 1982 | 21.41% | 1995 | 37.43% |
| | | | | | | 1946 | -8.07% | | | 1978 | 6.56% | 1959 | 11.96% | 1972 | 18.98% | 1976 | 23.84% | 1991 | 30.55% |
| | | | | | | 1941 | -11.59% | | | 1970 | 4.01% | 1926 | 11.62% | 1971 | 14.31% | 1967 | 23.98% | 1989 | 31.49% |
| | | | | | | 1940 | -9.78% | | | 1960 | 0.47% | | | 1964 | 16.48% | 1963 | 22.80% | 1985 | 32.16% |
| | | | | | | 1932 | -8.19% | | | 1956 | 6.56% | | | 1952 | 18.37% | 1961 | 26.89% | 1980 | 32.42% |
| | | | | | | 1929 | -8.42% | | | 1948 | 5.50% | | | 1949 | 18.79% | 1951 | 24.02% | 1975 | 37.20% |
| | | | | | | | | | | 1947 | 5.71% | | | 1944 | 19.75% | 1943 | 25.90% | 1958 | 43.36% |
| | | | | | | | | | | | | | | 1942 | 20.34% | | | 1955 | 31.56% |
| | | | | | | | | | | | | | | | | | | 1954 | 52.62% |
| | | | | | | | | | | | | | | | | | | 1950 | 31.71% |
| | | | | | | | | | | | | | | | | | | 1945 | 36.44% |
| | | | | | | | | | | | | | | | | | | 1938 | 31.12% |
| | | | | | | | | | | | | | | | | | | 1936 | 33.92% |
| | | | | | | | | | | | | | | | | | | 1935 | 47.67% |
| | | | | | | | | | | | | | | | | | | 1933 | 53.99% |
| | | | | | | | | | | | | | | | | | | 1928 | 43.61% |
| | | | | | | | | | | | | | | | | | | 1927 | 37.49% |

Source: Ibbotson Associates and Bloomberg, from 1926-2023. Past performance is no guarantee of future results. For illustrative purposes only and not indicative of any actual investment. The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. These returns were the result of certain market factors and events which may not be repeated in the future

# Nature of Markets

"In general, the batting average of doomsayers in the U.S. is terrible. Our country has consistently made fools of those who were skeptical about either our economic potential or our resiliency."

**Warren Buffett**

"By owning great companies, you can just forget about all the noise and the irrational market fluctuations. And slowly get rich."

**Francois Rochon**

"Volatility gets you in the gut. There's no question that when prices are jumping around, you feel different from when they're stable."

**Peter Bernstein**

Source: https://novelinvestor.com/quote-author

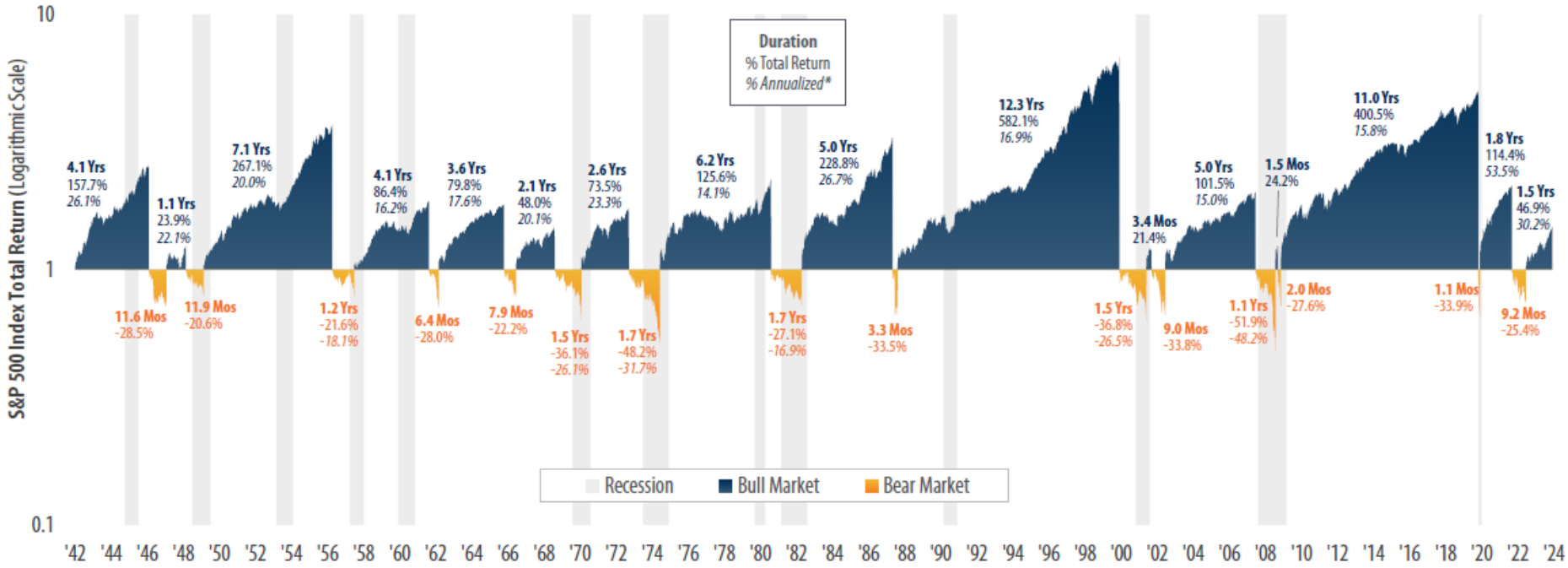
# Nature of Markets

## BULL

From the lowest close reached after the market has fallen 20% or more, to the next market high.

## BEAR

When the index closes at at least 20% down from its previous high close, through the lowest close reached after it has fallen 20% or more.




Source: First Trust Advisors L.P., Bloomberg. Daily returns from 4/29/1942 - 3/28/2024. *No annualized return shown if duration is less than one year. **Past performance is no guarantee of future results.** These results are based on daily returns–returns using different periods would produce different results. The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. This chart is for illustrative purposes only and not indicative of any actual investment. These returns were the result of certain market factors and events which may not be repeated in the future.

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# Wall Street Crash of 1929

# Climate

- Speculation
- Loose lending practices
- Lack of regulation
- Economic stressors
- Technological limitations
- Panic selling

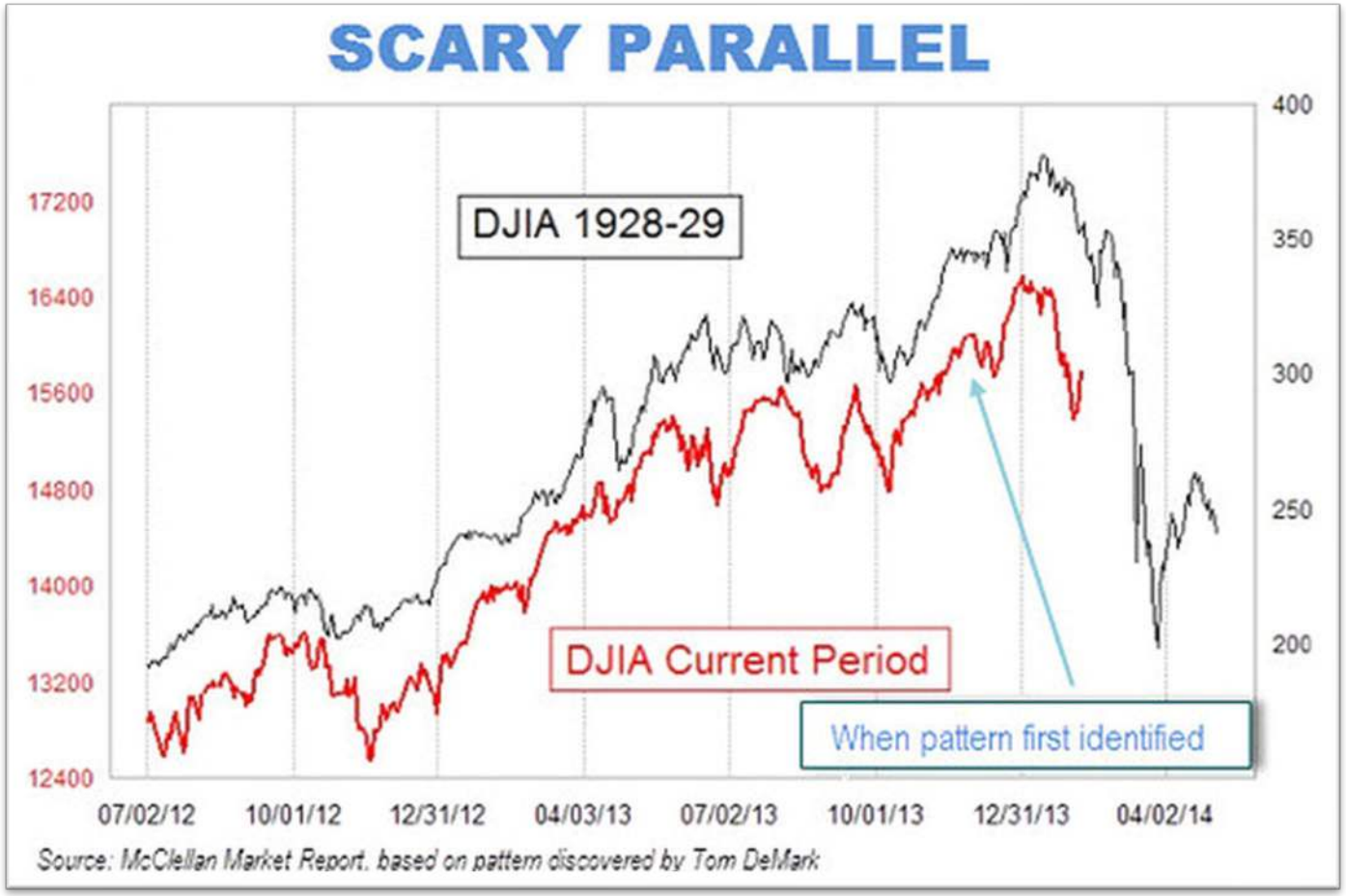
Source: https://www.federalreservehistory.org/essays/stock-market-crash-of-1929

# What We Learned

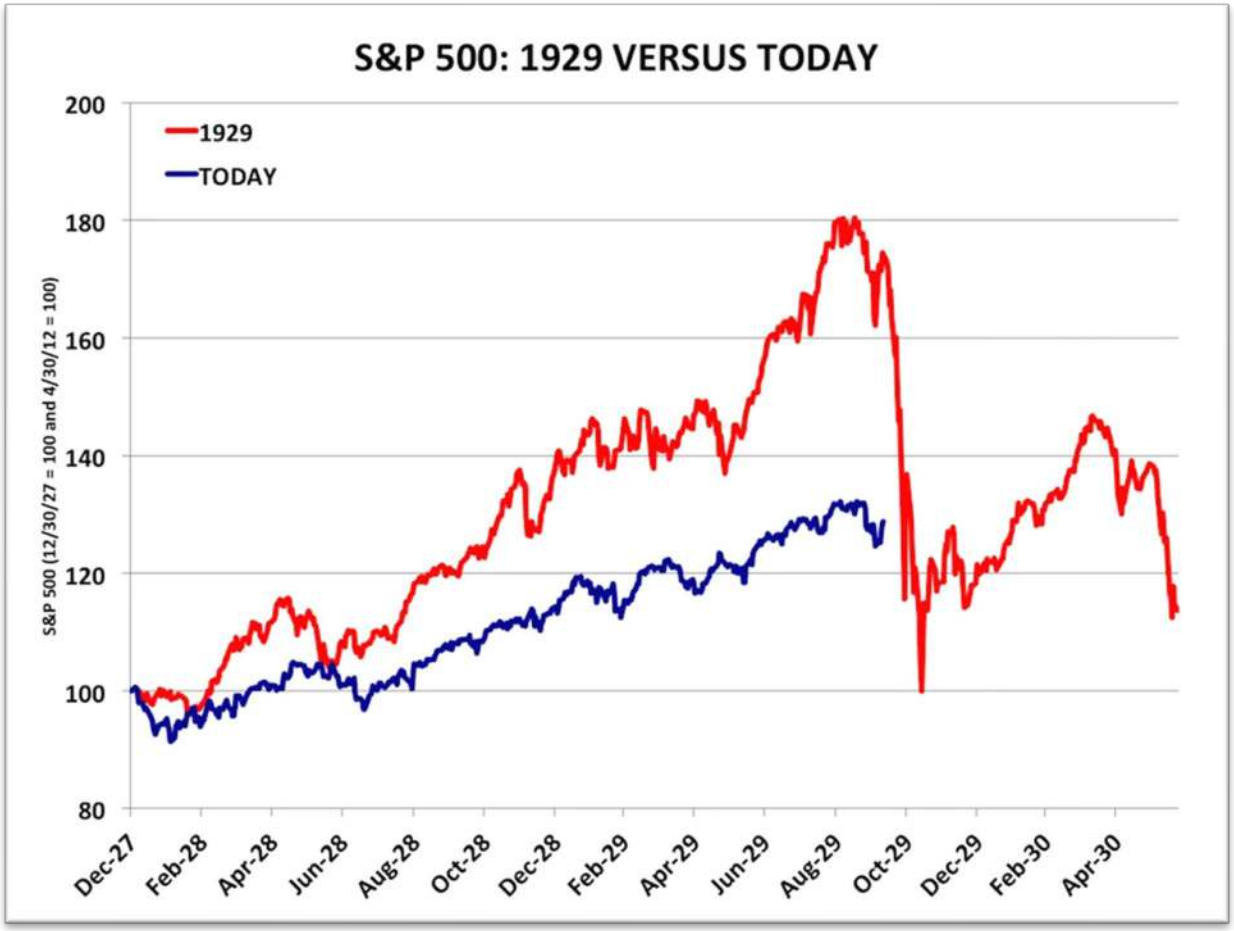
- Banking regulation
- FDIC
- Lending practices
- Federal Reserve

Source: https://www.federalreservehistory.org/essays/stock-market-crash-of-1929

# History Repeats



# History Repeats




Source: Business Insider/Andy Kiersz (data from St. Louis Fed)

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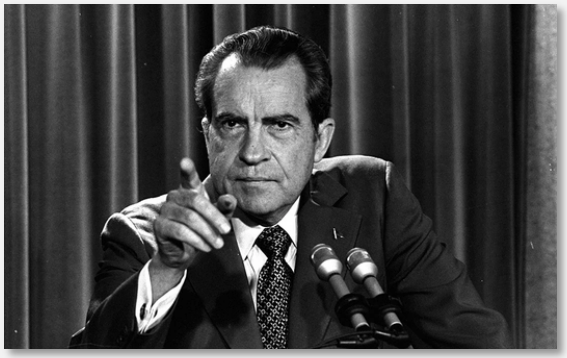
# 1973-1974 Bear Market

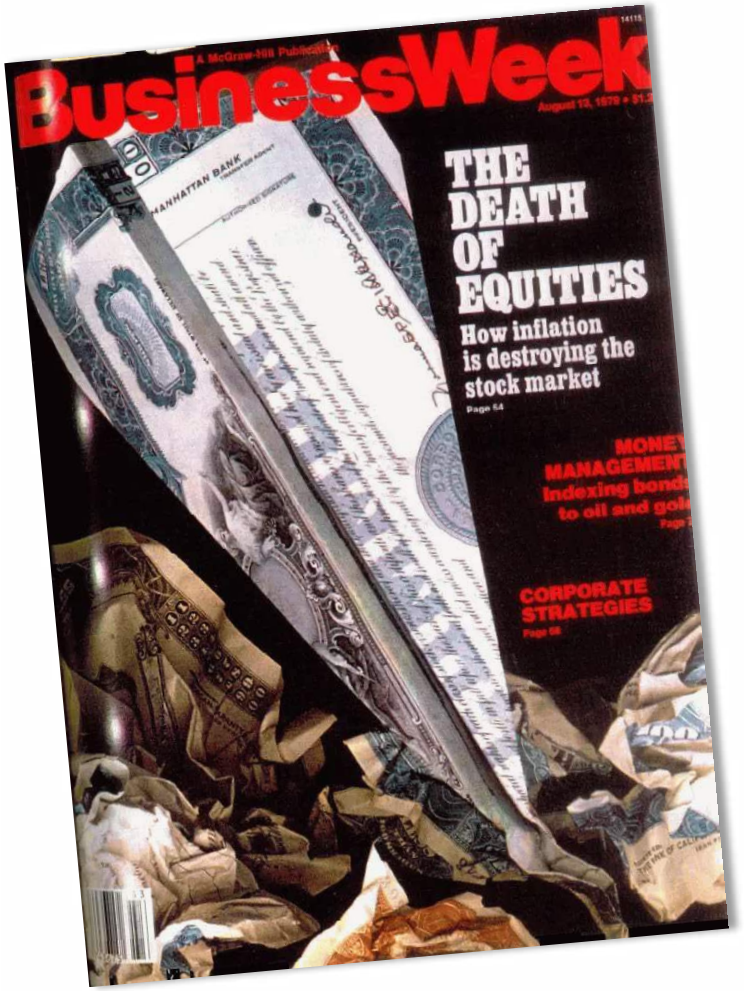
# 1973-1974 Bear Market

- S&P 500 decline: ~ 48%
- Oil embargo & energy crises
- High inflation & recession
- Political instability



https://proactiveadvisormagazine.com/remembrances-of-the-1973-1974-bear-market/

# What We Learned




Even prolonged economic stress and inflation **did not** prevent long-term market growth.

The worst economic environments often create the **best long-term entry points.**

Source: https://proactiveadvisormagazine.com/remembrances-of-the-1973-1974-bear-market/. Past Performance in not a guarantee of future results

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# Black Monday
# October 19, 1987

# Climate

- October 19, 1987
- Largest single day drop ~22%
- Market structure weakness
- Program trading
- Panic selling

https://www.federalreservehistory.org/essays/stock-market-crash-of-1987

# What We Learned

- Regulatory changes
- No lasting economic depression followed
- Long-term bull market continued into 1990s
- Extreme, sudden crashes can be short lived

Source: https://www.federalreservehistory.org/essays/stock-market-crash-of-1987

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# The Lost Decade
# January 2000 - December 2009

# Climate

## Dot-Com Bubble

- S&P 500 fell ~ 49%
- High P/E ratios
- Market concentration

## Global Financial Crises

- S&P 500 fell ~57%
- Housing and financial system instability
- Lehman Brothers and Washington Mutual collapse

Source: https://www.dimensional.com/ca-fr/insights/a-tale-of-two-decades

# What Happened

- Lost decade return about -1%
- Innovation is messy
- Irrational exuberance is real
- Global financial collapse felt imminent
- Lost faith in government and financial institutions

Source: https://www.dimensional.com/ca-fr/insights/a-tale-of-two-decades.

# What We Learned

- Diversification is essential
    - Emerging markets return ~10% during same period
- Don’t gamble on new technology, invest
- Discipline wins again
- Time horizons matter



Source: https://www.dimensional.com/ca-fr/insights/a-tale-of-two-decades

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# Covid-19
# 2020

# Climate

- Fastest market drop ~34% in 33 days
- Panic selling
- Large market swings
- Travel ban, NBA suspended, institutions closed and Tom Hanks

Source: https://www.forbes.com/sites/lizfrazierpeck/2021/02/11/the-coronavirus-crash-of-2020-and-the-investing-lesson-it-taught-us/

# What We Learned

- Government intervention
- Sector divergence
- Recovered in 6 months
- Market recovers before you feel good

Source: https://www.forbes.com/sites/lizfrazierpeck/2021/02/11/the-coronavirus-crash-of-2020-and-the-investing-lesson-it-taught-us/. Past performance is not a guarantee of future results

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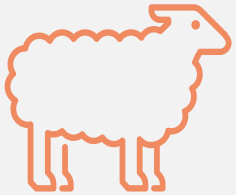
# Lessons Learned

# Crystal Balls Aren't Real

- January 2020 market forecasts
- Bloomberg 2022 100% recession
- Michael Burry post 2009
- 2014 is next depression

# Crystal Balls Aren't Real

"People have always had this craving to have someone tell them the future. Long ago, kings would hire people to read sheep guts. There's always been a market for people who pretend to know the future. Listening to today's forecasters is just as crazy as when the king hired the guy to look at the sheep guts."

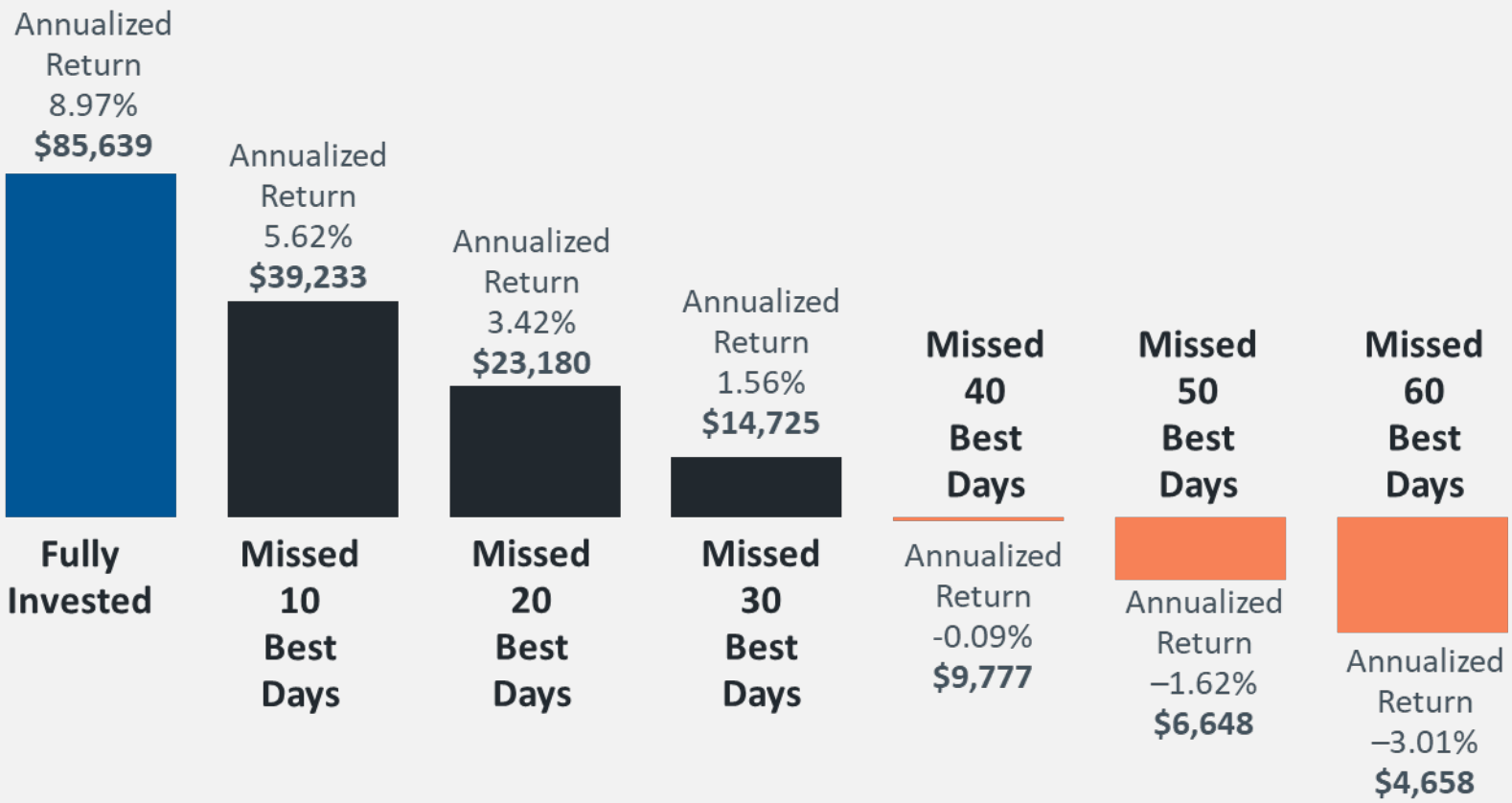


**Charlie Munger**

*Vice Chairman of Berkshire Hathaway*

# Cost of Timing the Market

## S&P 500 Index: Annualized total returns and growth of $10,000 investment (3/31/1995–3/31/2020)




Source: Bloomberg, L.P., as of 3/31/20. For illustrative purposes only and is not intended as investment advice. The charts are hypothetical examples which are shown for illustrative purposes only and do not predict or depict the performance of any investment. An investment cannot be made directly into an index. The S&P 500 Index is a market-capitalization-weighted index of the 500 largest domestic US stocks. **Past performance does not guarantee future results.**

# Cost of Timing the Market

## S&P 500 Index: 30 Best Days since 1995 (through 3/31/2020)

| 2/28/00 – 10/30/02 Tech Bubble (20%) | 10/30/07 – 3/31/09 Financial Crisis (40%) | 1/31/20 – 3/31/20 COVID (20%) | Other (20%) |
|---|---|---|---|
| 12. 07/24/02 **5.7%** | 1. 10/13/08 **11.6%** | 3. 03/24/20 **9.4%** | 16. 10/28/97 **5.1%** |
| 14. 07/29/02 **5.4%** | 2. 10/28/08 **10.8%** | 4. 03/13/20 **9.3%** | 17. 09/08/98 **5.1%** |
| 18. 01/03/01 **5.0%** | 5. 03/23/09 **7.1%** | 10. 03/26/20 **6.2%** | 19. 12/26/18 **5.0%** |
| 21. 03/16/00 **4.8%** | 6. 11/13/08 **6.9%** | 11. 03/17/20 **6.0%** | 23. 08/09/11 **4.7%** |
| 24. 10/15/02 **4.7%** | 7. 11/24/08 **6.5%** | 20. 03/10/20 **4.9%** | 25. 08/11/11 **4.6%** |
| 29. 04/05/01 **4.4%** | 8. 03/10/09 **6.4%** | 26. 03/02/20 **4.6%** | 27. 05/10/10 **4.4%** |
| | 9. 11/21/08 **6.3%** | | |
| | 13. 09/30/08 **5.4%** | | |
| | 15. 12/16/08 **5.1%** | | |
| | 22. 10/20/08 **4.8%** | | |
| | 28. 01/21/09 **4.4%** | | |
| | 30. 09/18/08 **4.4%** | | |

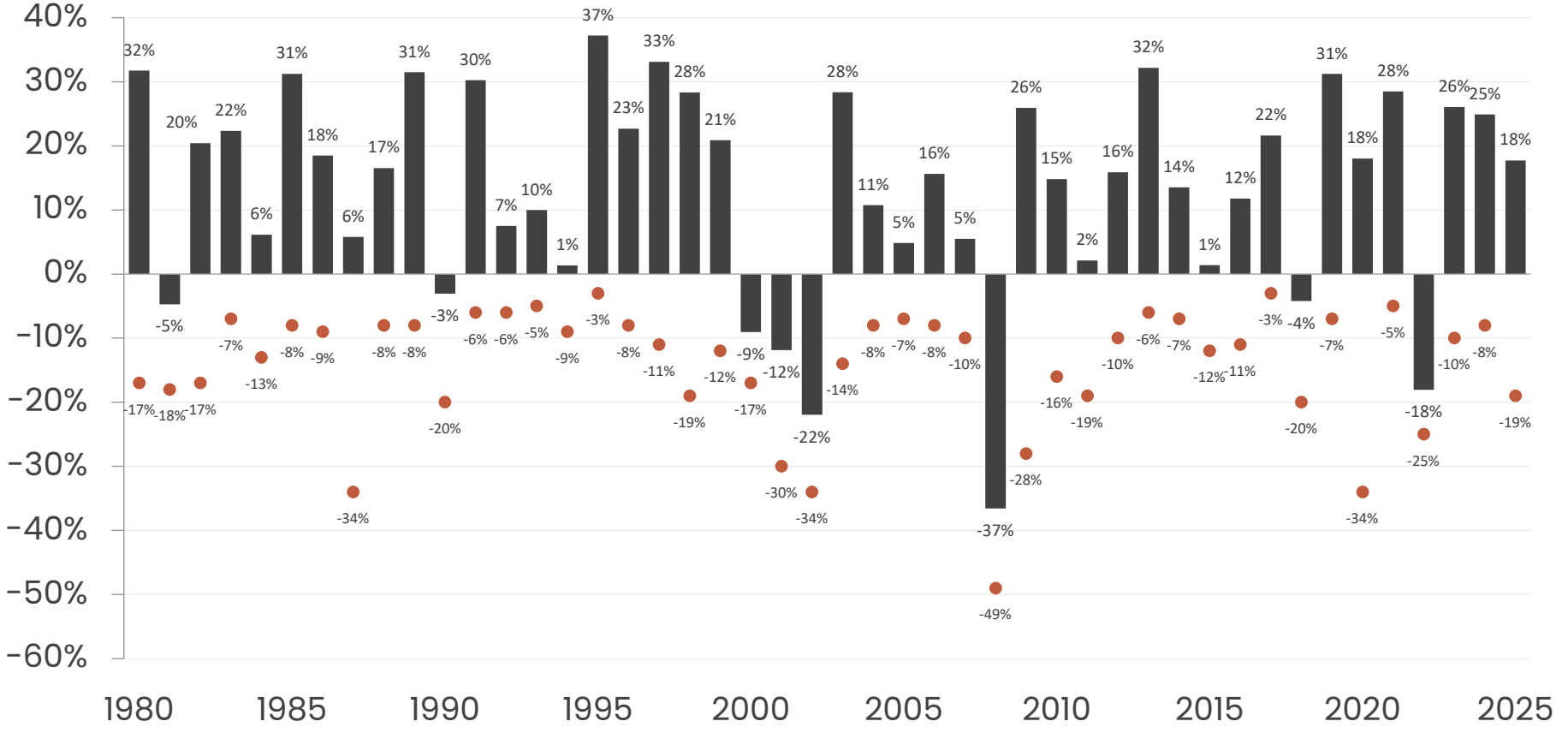
Source: Bloomberg, L.P., as of 3/31/20. For illustrative purposes only and is not intended as investment advice. The charts are hypothetical examples which are shown for illustrative purposes only and do not predict or depict the performance of any investment. An investment cannot be made directly into an index. The S&P 500 Index is a market-capitalization-weighted index of the 500 largest domestic US stocks. **Past performance does not guarantee future results.**

# The End is Near

| Trough Date | Return | Months to Reach Trough | Recovery Date | Months to Recover |
|---|---|---|---|---|
| Oct-57 | -20.7% | 3 | June-58 | 8 |
| Jun-62 | -27.9% | 6 | May-63 | 10 |
| Oct-66 | -22.2% | 7 | Mar-67 | 5 |
| May-70 | -36.1% | 17 | Aug-71 | 15 |
| Oct-74 | -48.3% | 20 | Nov-78 | 49 |
| Mar-78 | -19.4% | 17 | Apr-79 | 13 |
| Mar-80 | -17.1% | 1 | Jun-80 | 3 |
| Aug-82 | -27.1% | 20 | Oct-82 | 2 |
| Dec-87 | -33.5% | 3 | Mar-89 | 15 |
| Oct-90 | -19.9% | 3 | Jan-91 | 3 |
| Aug-98 | -19.3% | 1 | Oct-98 | 2 |
| Oct-02 | -49.1% | 29 | Jan-07 | 39 |
| Mar-09 | -56.8% | 16 | Jan-12 | 34 |
| Jul-10 | -16.0% | 2 | Oct-10 | 3 |
| Oct-11 | -19.4% | 5 | Jan-12 | 3 |
| Dec-18 | -19.8% | 3 | Mar-19 | 3 |
| Mar-20 | -33.9% | 1 | Aug-20 | 5 |
| Oct-22 | -25.4% | 10 | Jan-24 | 15 |
| Avg: | -28.6% | 10 | | 13 |

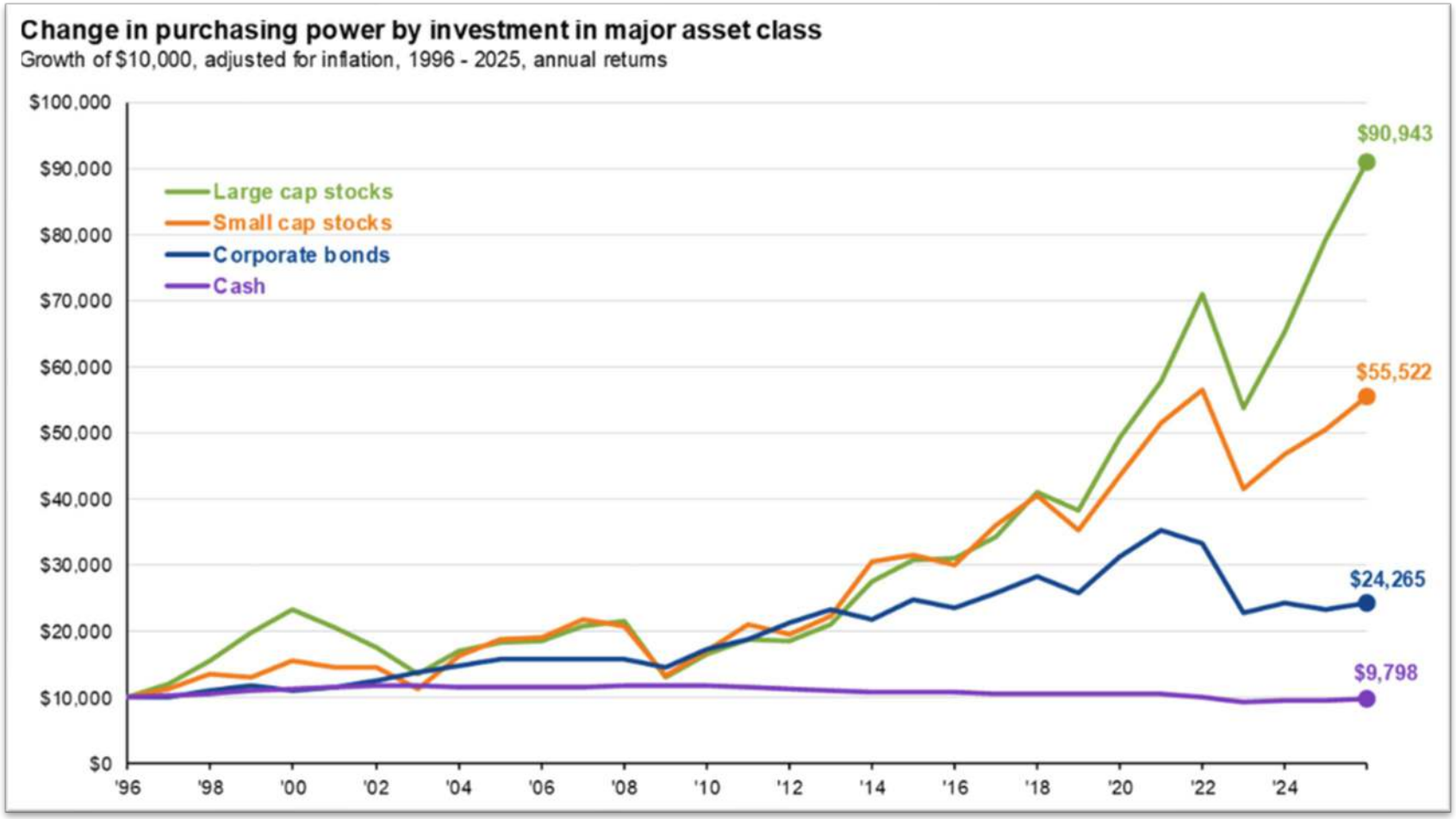
Source: ClearBridge Investments, Standard & Poor's 500 Index, Yardeni Research. Past performance is no guarantee of future results. This information is for illustrative purposes only and not indicative of any actual investment. The S&P 500 Index is an unmanaged index and cannot be invested in directly. Index returns do not reflect fees, expenses, or sales charges. Financial professionals should evaluate investment risks independently.

# Ignore the Noise




Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management (Guide to the Markets – U.S., 12/31/25). Past performance does not guarantee future results. For illustration only; not investment advice. The S&P 500 is unmanaged and not directly investable.

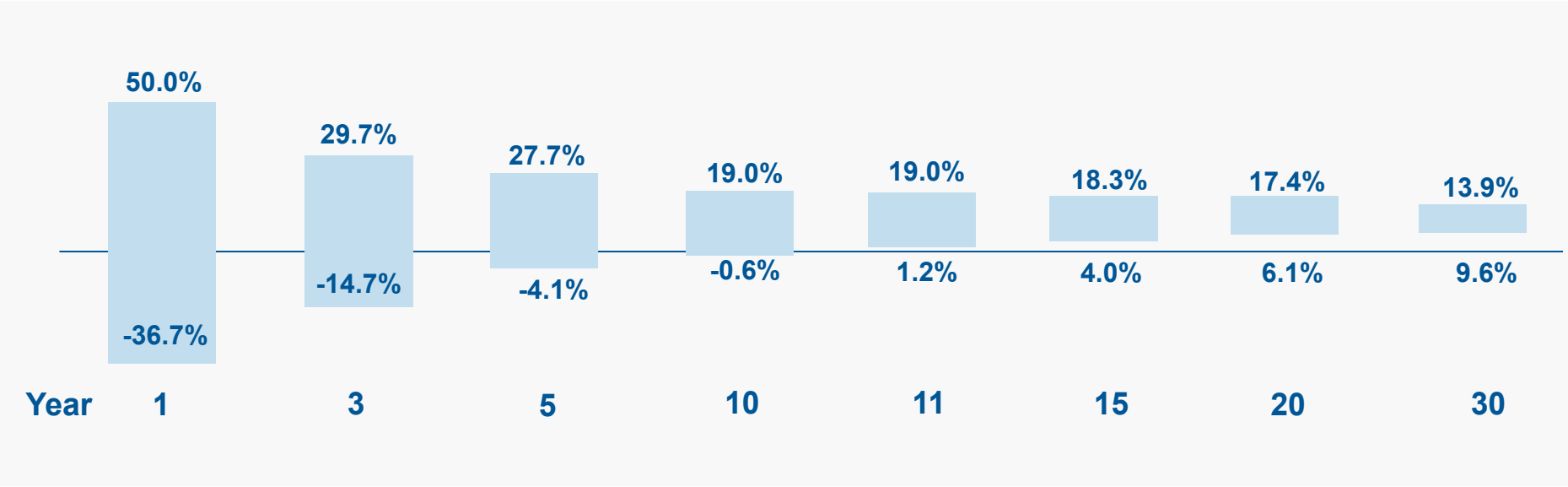
# Risk Investing and the Power of Compounding




Source: Bloomberg, Bureau of Labor Statistics, Ibbotson, J.P. Morgan Asset Management.
Large cap stocks: S&P 500 TR Index; Small cap stocks: Russell 2000 TR Index; Corporate bonds: Bloomberg Long U.S. Corporate Index; Cash: Bloomberg U.S. Treasury Bills Index. All returns are inflation-adjusted total returns, using annual average headline CPI inflation. *Guide to the Markets – U.S.* Data are as of March 31, 2026. Past performance is not a guarantee of future results

# Cost of Admission

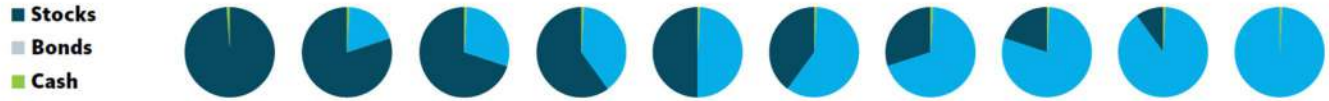
## Total Stock Market Returns Since 1945




- $10,000 invested 40 years ago in the S&P 500 Index would have grown to $866,000.
- $10,000 invested 40 years ago in short-term bonds would have grown to $35,000.

Source: Dimensional Matrix Book 2025. S&P 500 Index returns from 1985 through 2024 = 11.8%. One-Month US Treasury Bill returns from 1985 through 2024 = 3.2% . Past performance is not a guarantee of future results

# Time Horizon Drives Risk Tolerance




| | 99% Stocks 0% Bonds 1% Cash | 80% Stocks 19% Bonds 1% Cash | 70% Stocks 29% Bonds 1% Cash | 60% Stocks 39% Bonds 1% Cash | 50% Stocks 49% Bonds 1% Cash | 40% Stocks 59% Bonds 1% Cash | 30% Stocks 69% Bonds 1% Cash | 20% Stocks 79% Bonds 1% Cash | 10% Stocks 89% Bonds 1% Cash | 0% Stocks 99% Bonds 1% Cash |
|---|---|---|---|---|---|---|---|---|---|---|
| Average return | 12.46% | 11.27% | 10.66% | 10.05% | 9.44% | 8.84% | 8.24% | 7.65% | 7.06% | 6.48% |
| Percentage positive yrs. | 81.25% | 81.25% | 81.25% | 83.33% | 85.42% | 85.42% | 89.58% | 93.75% | 93.75% | 87.50% |
| Average gain† | 18.27% | 16.01% | 14.85% | 13.39% | 12.05% | 11.05% | 9.67% | 8.48% | 7.86% | 7.97% |
| Largest Gain | 36.63% | 32.60% | 30.52% | 28.46% | 26.44% | 25.33% | 26.25% | 27.15% | 28.03% | 28.90% |
| Percentage negative yrs. | 18.75% | 18.75% | 18.75% | 16.67% | 14.58% | 14.58% | 10.42% | 6.25% | 6.25% | 12.50% |
| Average loss* | -12.73% | -9.24% | -7.51% | -6.68% | -5.84% | -4.12% | -4.03% | -4.90% | -4.95% | -3.95% |
| Largest loss | -36.53% | -28.61% | -24.16% | -19.50% | -14.64% | -12.48% | -11.64% | -10.82% | -10.02% | -9.25% |
| Percentage of yrs. greater than inflation‡ | 75.00% | 77.08% | 75.00% | 75.00% | 72.92% | 75.00% | 72.92% | 75.00% | 68.75% | 64.58% |

Source: Morningstar Direct. The power of diversification. SEI. 2024. PDF. Diversification does not assure a profit or protect against losses. Past performance is not a guarantee of future results

# Takeaways

1. Market downturns are normal and expected.

2. Crises create opportunities, not just risks.

3. Long-term investors are consistently rewarded.

4. Patience is a competitive advantage

# Words of Wisdom

"Far more money has been lost by investors preparing for corrections, or trying to anticipate corrections, than has been lost in corrections themselves."

**Peter Lynch**

"The four most dangerous words in investing are, 'it's different this time.'"

**Sir John Templeton**

"History provides a crucial insight regarding market crises: they are inevitable, painful and ultimately surmountable."

**Shelby M.C. Davis**

# Questions?

## CONTACT US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**February 24**
Interest Rates: How it Affects Home Purchases and Investments

**March 24**
Pre-Tax and Roth Contributions: Comparing Your Options

**April 28**
Lessons from Market History: Insights from Past Crises

**May 26**
The Psychology of Money: How Behavior Shapes Financial Choices

**June 23**
Creating Retirement Income: Turning Savings into Paychecks

**July 28**
Estate Planning Basics: Organizing and Protecting Your Assets

**August 25**
Personal Insurance 101: Exploring Coverage Types

**September 29**
Medicare Made Simple: Navigating Your Choices

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Social Security: What to Know Before You Claim

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