Bouncing Back From Market Corrections

American Century Investments®

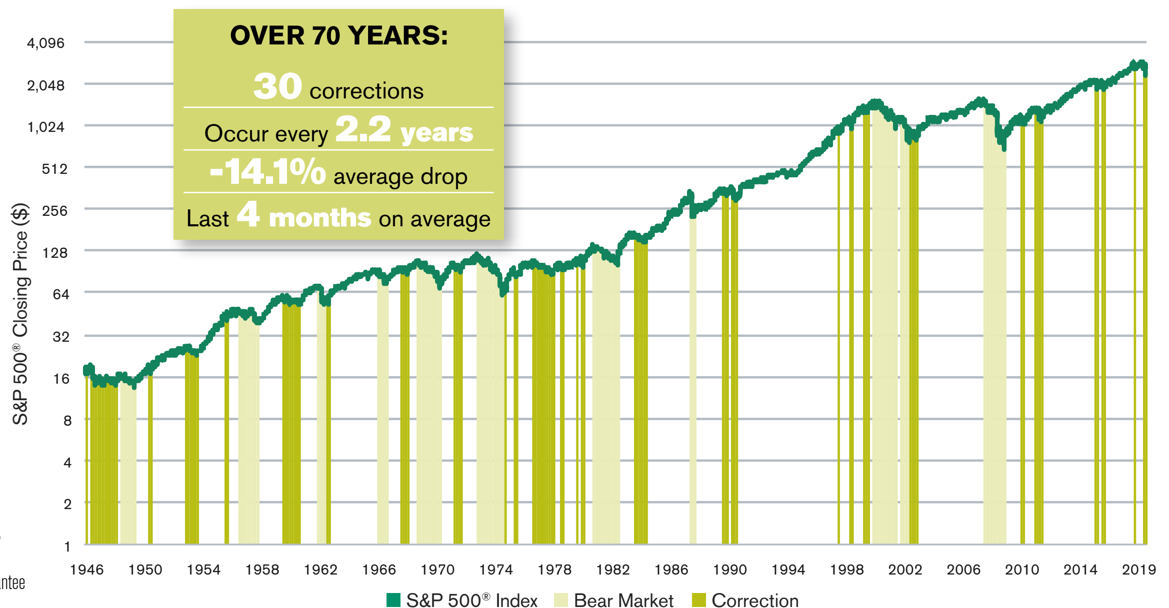
FINANCIAL FYI®

As an investor, you intuitively know that the stock market swings between highs and lows. It's the bigger swings that are unsettling. And every once in a while, there are **corrections**—when the market dips more than 10% from its most recent high.

Corrections are normal too, even if they don't always feel that way. Understanding when they occur, how often and what happens afterward can help you keep them in perspective for your long-term goals.

How Often Do Corrections Happen?

On average, corrections have happened about every two years. However, they can occur more or less frequently.



Source: FactSet and American Century Investments from 1/1/1946 to 12/31/2019.

The index does not reflect fees, brokerage commissions, taxes or other expenses of investment. Investors cannot invest directly in an index. Past performance is no guarantee of future results.

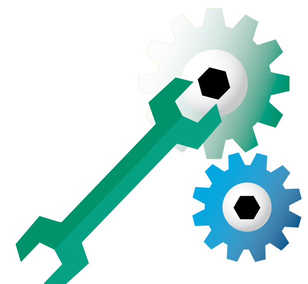
Four Corrections in Five Years

More recently, there were four corrections from 2015-2019. The last one began on 9/21/2018 and ended on 12/24/2018.

Why Markets Correct

Market corrections can last days, months or longer. A correction can occur when an asset or an entire market's prices are overinflated. Many investment professionals anticipate these corrections and believe they are necessary to return stock values back to "normal."

Other reasons may be less expected. For example, emotions surrounding economical or political events can influence a market sell-off. While no one can predict when the next correction will occur, history tells us that markets do rebound.



Waiting for the Rebound

Markets have historically bounced back after corrections and even after extended periods of larger declines, known as **bear markets**. While declines may seem drastic, the recoveries from bear markets have also been dramatic one, five and 10 years later.

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

Bear Markets Through History and Their Recoveries

Downturn			Recovery		
			Post-Downturn Cumulative Return		
Timeframe of Downturn	How many months	% Decline	1-year later	5-years later	10-years later
October 9, 2007 – March 9, 2009	17	-56.8%	68.6%	178.0%	305.5%
March 24, 2000 – October 9, 2002	31	-49.1%	33.7%	101.5%	85.6%
July 16, 1990 – October 11, 1990	3	-19.9%	29.1%	96.1%	361.9%
August 25, 1987 – December 4, 1987	3	-33.5%	21.4%	93.0%	334.6%
November 28, 1980 – August 12, 1982	20	-27.1%	58.3%	224.5%	307.9%
January 11, 1973 – October 3, 1974	21	-48.2%	38.0%	76.0%	160.8%
November 29, 1968 – May 26, 1970	18	-36.1%	43.7%	30.7%	59.6%
February 9, 1966 – October 7, 1966	8	-22.2%	32.9%	36.6%	41.4%
December 12, 1961 – June 26, 1962	6	-28.0%	32.7%	75.2%	105.4%
August 2, 1956 – October 22, 1957	15	-21.6%	31.0%	41.0%	144.7%
May 29, 1946 – June 13, 1949	37	-29.6%	42.1%	110.9%	322.6%
March 6, 1937 – April 28, 1942	62	-60.0%	53.7%	92.4%	215.3%
September 7, 1929 – June 1, 1932	33	-86.2%	121.4%	262.7%	86.1%
Average	**21**	**-39.9%**	**46.7%**	**109.1%**	**194.7%**

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.

DURING THE FALL:

21 months
Average Length of Bear Markets

-39.9%
Average Decline During Bear Markets

IN THE RECOVERY:

46.7%
1 Year Later

109.1%
5 Years Later

194.7%
10 Years Later

Post-Downturn Cumulative Returns

Talk to Your Financial Professional

Market corrections can seem scary, but they are normal. It helps to keep a long-term view of your investments, even in the midst of downturns. In addition, your financial professional can help you include strategies that aim to manage risks when markets move up and down.

Past performance is no guarantee of future results. Investment return and principal value of security investments will fluctuate and it is possible to lose money.

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