EVENT DRIVEN BEAR MARKETS

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The coronavirus (Covid-19) just caused the first bear market since 2009 and most likely ended the longest economic expansion in United States history. A bear market is typically defined as a peak-to-trough decline of more than-20% in the S&P 500 index. After peaking on February 19th, the S&P 500 then fell by-25% as of March 27th. The National Bureau of Economic Research (NBER) defines a recession as a significant decline in economic activity. Based on current economic data and projections, the United States likely fell into a recession in late February or early March as social distancing measures caused many businesses to temporarily shut down or decrease activity.

We thought it would be helpful to look at previous periods where bear markets were caused by a single event and shock to the system. Research by Goldman Sachs found six previous instances of an event driven bear market. The following chart shows the S&P 500 price decline during the bear market and the total return in various time periods after the market bottomed. This data reinforces why we tell our clients to maintain a long-term viewpoint. While we cannot predict the market will now follow a similar path and recover as strongly as previous periods, we do know the **stock market rises over time** and has a way of **overcoming negative circumstances**.

Event Driven Bear Markets - S&P 500 Return

#	Start	End	Event	Price Decline	3-Months Later	6-Months Later	12-Months Later	24-Months Later
1	August 1956	October 1957	Russia Invades Hungary	-21.6%	7.3%	11.8%	36.2%	54.2%
2	December 1961	June 1962	Cold War Tension	-28.0%	9.2%	21.9%	37.5%	66.0%
3	February 1966	October 1966	Inflation Spike	-22.2%	12.6%	24.9%	37.3%	51.0%
4	October 1987	October 1987	Black Monday	-34.2%	7.4%	11.7%	21.4%	57.6%
5	July 1998	August 1998	Asian/Russian Financial Crises	-19.6%	25.0%	30.3%	39.8%	61.0%
6	April 2011	October 2011	US Credit Rating Downgrade	-21.6%	12.5%	26.7%	32.0%	56.1%
			Average	**-24.5%**	**12.4%**	**21.2%**	**34.0%**	**57.7%**

How long the current bear market and recession will last will be determined by the spread and magnitude of the coronavirus and how quickly the economy normalizes as people go back to work and businesses reopen. While no one knows the exact timeframe, we remain optimistic that the United States will conquer the virus. Companies around this world are racing to develop treatments and vaccines, testing will expand, social distancing and stay at home policies should help flatten the curve of outbreaks, and officials are unleashing a tidal wave of fiscal and monetary stimulus. We will get through this. We also want to make sure that we participate in the market rebound when it does occur.

We help our clients navigate through these challenging markets by combining financial planning with investment management. Please see our recent **video that highlights several strategies for these volatile periods**. We ensure our clients upcoming cash flow needs are covered, while managing the rest of their assets in globally diversified portfolios designed to meet longer-term goals. Our process has worked in the past and we continue to believe in the effectiveness going forward. We understand that market drawdowns are stressful, and we remind our clients that the right mindset combined with a comprehensive financial plan and a thorough investment process can provide a sense of comfort and confidence in meeting your long-term financial goals.

At Winthrop Wealth, we apply a total net worth approach to both comprehensive financial planning and investment management. Financial planning drives the investment strategy and provides a roadmap to each client's unique goals and objectives. The comprehensive financial plan defines cash flow needs, is stress tested for various market environments, optimizes account structures, considers tax minimization strategies, and continuously evaluates financial risks as circumstances and/or goals change. The investment management process is designed to provide well-diversified portfolios constructed with a methodology based on prudent risk management, asset allocation, and security selection.

As always, please contact us if you have any questions or updates to your personal or financial circumstances.

DISCLOSURES:

Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual.

The economic forecasts set forth in this material may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

No strategy assures success or protects against loss. Asset allocation does not ensure a profit or protect against loss. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

All indexes mentioned are unmanaged indexes which cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Past performance is no guarantee of future results.

The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.