HARTFORDFUNDS
Our benchmark is the investor.®

10 Things You Should Know About Bear Markets

Even elite athletes need rest days to stay healthy. Sometimes financial markets need to reset from record-setting performance, too. Here's what you need to know about bear, or down, markets.

1. **Watch for 20%:** Market cycles are measured from peak to trough, so a stock index officially reaches bear territory when the closing price drops at least 20% from its most recent high (whereas a correction is a drop of 10%-19.9%). A new bull market begins when the closing price gains 20% from its low.

2. **Stocks lose 36% on average in a bear market.**[1] By contrast, stocks gain 112% on average during a bull market.

3. **Bear markets are normal.** There have been 26 bear markets in the S&P 500 Index since 1928. However, there have also been 27 bull markets—and stocks have risen significantly over the long term.

4. **Bear markets tend to be short-lived.** The average length of a bear market is 289 days, or about 9.6 months. That's significantly shorter than the average length of a bull market, which is 973 days or 2.7 years.

5. **Every 3.6 years:** That's the long-term average frequency between bear markets. Though many consider the bull market that ended in 2020 to be the longest on record, the bull that ran from December 1987 until the dot-com crash in March 2000 is technically the longest (a drop of 19.9% in 1990 nearly derailed that bull, but just missed the bear threshold).

6. **Bear markets have been less frequent since World War II.** Between 1928 and 1945 there were 12 bear markets, or one about every 1.4 years. Since 1945, there have been 14—one about every 5.4 years.

7. **More than half (56%) of the S&P 500 Index's strongest days in the last 20 years occurred during a bear market.** Another 32% of the market's best days took place in the first two months of a bull market—before it was clear a bull market had begun.[2] In other words, the best way to weather a downturn could be to stay invested since it's difficult to time the market's recovery.

8. **A bear market doesn't necessarily indicate an economic recession.** There have been 26 bear markets since 1929, but only 15 recessions during that time.[3] Bear markets often go hand in hand with a slowing economy, but a declining market doesn't necessarily mean a recession is looming.

9. **Assuming a 50-year investment horizon, you can expect to live through about 14 bear markets, give or take.** Although it can be difficult to watch your portfolio dip with the market, it's important to keep in mind that downturns have always been a temporary part of the process.

10. **Bear markets can be painful, but overall, markets are positive a majority of the time.** Of the last 91 years of market history, bear markets have comprised only about 20.6 of those years. Put another way, stocks have been on the rise 78% of the time.

Bear Markets Have Been Common

S&P 500 Index declines of 20% or more, 1929–2020

Start and End Date	% Price Decline	Length in Days
9/7/1929 - 11/13/1929	-44.67	67
4/10/1930 - 12/16/1930	-44.29	250
2/24/1931 - 6/2/1931	-32.86	98
6/27/1931 - 10/5/1931	-43.10	100
11/9/1931 - 6/1/1932	-61.81	205
9/7/1932 - 2/27/1933	-40.60	173
7/18/1933 - 10/21/1933	-29.75	95
2/6/1934 - 3/14/1935	-31.81	401
3/6/1937 - 3/31/1938	-54.50	390
11/9/1938 - 4/8/1939	-26.18	150
10/25/1939 - 6/10/1940	-31.95	229
11/9/1940 - 4/28/1942	-34.47	535
5/29/1946 - 5/17/1947	-28.78	353
6/15/1948 - 6/13/1949	-20.57	363
8/2/1956 - 10/22/1957	-21.63	446
12/12/1961 - 6/26/1962	-27.97	196
2/9/1966 - 10/7/1966	-22.18	240
11/29/1968 - 5/26/1970	-36.06	543
1/11/1973 - 10/3/1974	-48.20	630
11/28/1980 - 8/12/1982	-27.11	622
8/25/1987 - 12/4/1987	-33.51	101
3/24/2000 - 9/21/2001	-36.77	546
1/4/2002 - 10/9/2002	-33.75	278
10/9/2007 - 11/20/2008	-51.93	408
1/6/2009 - 3/9/2009	-27.62	62
2/19/2020 - 3/23/2020	-33.92	33
Average	**-35.62**	**289**

Past performance does not guarantee future results. Investors cannot directly invest in an index. As of 8/31/20. Source: Ned Davis Research, 9/20.

A financial professional can help you build a diversified portfolio to help you feel confident in bull and bear markets alike.

S&P 500 Index is a market capitalization-weighted price index composed of 500 widely held common stocks.

[1] Source for bear/bull market stats is Ned Davis Research as of 8/31/20 unless otherwise noted.

[2] Source: Ned Davis Research, 9/20. Time period referenced is 9/30/00–8/31/20.

[3] Source: National Bureau of Economic Research, 9/20

Important risks: Investing involves risk, including the possible loss of principal. • Diversification does not ensure a profit or protect against a loss in declining market.

This material is provided for educational purposes only.

Hartford Funds Distributors, LLC, Member FINRA.

CCWP045_1020 219924