

Recovering from a market downturn

October 10, 2018

While market volatility can be unsettling, history shows that investors benefit from staying invested.

It's human nature to feel uneasy when there's volatility in the markets or news of a crisis event. But even though there might be an inclination to sell, it's important to stay invested. If we look at the historical data, the U.S. stock market has remained remarkably resilient — and has recovered time and time again from crisis events to move even higher over the long term.

If we take a look at these events beginning with the Market Crash of 1929, the numbers show that while the Dow Jones Industrial Average (DJIA), on average, declined during periods of crisis, the ensuing 12 months typically produced double-digit returns.

Volatility happens. But history tells us: Don't sell.

Event	Reaction dates	Gain/loss*	DJIA percentage change after crisis			
			1 month	3 months	6 months	12 months
Market Crash of 1929	10/11/1929-11/13/1929	-43.7	27.3	34.1	46.0	11.8
Germany invades France	05/09/1940-06/22/1940	-17.1	-0.5	8.4	7.0	-5.2
Pearl Harbor	12/06/1941-12/10/1941	-6.5	3.8	-2.9	-9.6	5.4
Korean War	06/23/1950-07/13/1950	-12.0	9.1	15.3	19.2	26.3
JFK assassinated	11/21/1963-11/22/1963	-2.9	7.2	12.4	15.1	24.0
U.S. bombs Cambodia	04/29/1970-05/14/1970	-7.1	0.4	3.8	13.5	36.7
Nixon resigns	08/07/1974-08/29/1974	-17.6	-7.9	-5.7	12.5	27.2
U.S.S.R. invades Afghanistan	12/24/1979-01/03/1980	-2.2	6.7	-4.0	6.8	21.0
Financial Panic 1987	10/02/1987-10/19/1987	-34.2	11.5	11.4	15.0	24.2
Iraq invades Kuwait	08/02/1990-08/23/1990	-13.3	0.1	2.3	16.3	22.4
Asian stock market crisis	10/07/1997-10/27/1997	-12.4	8.8	10.5	25.0	16.9
9/11 terrorist attacks	09/11/2001-09/21/2001	-14.3	13.4	21.2	24.8	-6.7
Madrid terrorist attacks	03/10/2004-03/24/2004	-2.4	3.9	3.9	-0.1	4.4
India, Israel and Lebanon bombings	07/11/2006-07/18/2006	-3.0	5.0	10.9	16.4	28.3
Lehman Brothers collapse	09/15/2008-09/16/2008	1.3	-18.8	-22.6	-32.3	-11.5
Israel invades Gaza	12/27/2008-01/21/2009	-3.0	-13.5	-4.2	7.9	23.6
Boston Marathon bombing	04/12/2013-04/15/2013	-1.8	4.6	6.1	4.4	11.4
Chinese market turmoil	08/21/2015-08/25/2015	-4.8	4.1	13.6	6.6	17.8
U.K. votes to leave E.U.	06/23/2016-06/27/2016	-4.8	7.7	5.6	16.3	25.2
Average		-10.6	3.8	6.3	11.1	16.0

* Change in DJIA during the period indicated in "Reaction dates" column

Bottom line

Examine the numbers. History tells us that investors benefit from staying invested, even in times of crisis.

Past performance does not guarantee future results. It is not possible to invest in an index.

Sources: Columbia Management Investment Advisers, LLC and Ned Davis Research, Inc., 09/18. The most widely used indicator of the overall condition of the stock market, the Dow Jones Industrial Average Index is a price-weighted average of 30 actively traded blue chip stocks as selected by the editors of the Wall Street Journal.

It is not possible to invest directly in an index.



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