

RECOVERING FROM A MARKET DOWNTURN

History shows that investors benefit from staying invested

- Investors' fears are running high amid uncertainty over financial markets. Yet, the stock market and economic experiences over the past decades were at times quite frightening too.
- The U.S. stock market has been remarkably resilient; it has routinely recovered from short-term crisis events to move higher over long-term periods.
- This chart demonstrates that while the Dow Jones Industrial Average (DJIA), on average, declined during periods of crisis, the ensuing 12 months typically produced double-digit returns.

Crisis events since 1929

| Event | Reaction dates | Gain/loss* | DJIA percentage change after crisis | | | |
|------------------------------------|-----------------------|--------------|-------------------------------------|------------|-------------|-------------|
| | | | 1 mo. | 3 mos. | 6 mos. | 12 mos. |
| 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 |
| WTC and Pentagon terrorist attacks | 09/10/2001-09/21/2001 | -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 | N/A | N/A |
| | Average | -10.6 | 3.8 | 6.3 | 10.8 | 15.4 |

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

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Sources: Columbia Management Investment Advisers, LLC and Ned Davis Research, Inc., 09/2016.

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.

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