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Opportunity on the Other Side of the Storm

Today's reality

We're in a bear market. Worse yet, we're now experiencing dual bear markets, during which both stocks and bonds are delivering long-term seriously negative returns. Once the blood-letting begins, it tends to run its course. This is not a prediction, instead, it's just a simple observation drawn from history.

Worse yet . . . soon, we'll be entering an economic recession. Some will deny, some will sugarcoat, those are the people who you want to disassociate from, they're hurtful. I'm not going to tell you when the stock bear, the bond bear, or the economic recession will end. I can't do that, investment managers can't do that, financial advisors can't do that, and industry pundits can't do that.

Your advisor's helping hand

I'm not going to tell you how to handle your journey through these two simultaneous bears and the accompanying economic recession. That's something that is best worked out in close consultation with your financial advisor. Your advisor can provide tremendous context and understanding about downturns such as we're experiencing today. Have the conversation. You will be comforted. By most measures, the coming economic recession will be remarkably vanilla and garden variety.

What I will tell you

What I can offer, what I can tell you . . . is what you'll experience on the other side of these simultaneous bears and the associated economic recession. This observation (this "tell") is seriously useful . . . and it might help you to avoid the classic mistakes made by so many others, back during **The Tech Wreck of 2000** or during **The Great Recession of 2007/2009**. During these two periods, some investors got spooked. And spooked bad. As a result, many sold everything they had, right at the bottom of the market. But then, they didn't know when to get back in. As a result, they captured all of the loss, all of the decline . . . and little if any of the rebound and resurgence. Consequently, their futures were permanently altered, and not for the better . . . because of their emotion-driven backward-looking reactions, their future lives were forever diminished***!***

Let me walk that back

I suggested a moment ago, that I'd tell you what's on the other side, i.e., once the stock bear, bond bear, and economic recession end. Let me walk that claim back. I can't predict the future. No one can. If you hear such predictions, run in the other direction.

But . . . we can look at history, and ask and rigorously answer the question "***What does the market return immediately following the end of its bear stage?***" The answer to this question is incredibly consistent . . . and it's seriously compelling. This is an investment opportunity not to be missed . . . it's been dependable, reliable, and consistent . . . and for darn good reasons.

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Below is a table. It shows the inflation-adjusted returns (after inflation has been subtracted out) for U.S. stocks, U.S. investment grade bonds, and for global diversified commodities . . . immediately after their respective bear markets ended. The returns are startling . . . and truly compelling. This is something to look forward to, and not to miss out on. Whatever happens, don't allow your emotion or behavioral biases to influence your investment decisions.

Performance once the bear market ends

Inflation-adjust total returns, not annualized . . . . i.e., over and above inflation

		6 months	12 months	18 months	24 months	30 months
Average	Stocks	24.0	37.5	46.7	54.7	57.7
	Bonds	7.4	15.1	23.7	28.4	30.5
	Commodities	14.3	32.0	44.6	55.2	52.5
Median (what's typical)	Stocks	25.9	33.6	40.5	49.0	53.2
	Bonds	7.1	10.3	12.4	17.4	25.5
	Commodities	16.7	26.3	42.6	48.3	44.9

Based on the time period 1845 through 2022

All data provided by Global Financial Data, Inc.

Utilizes the definition of bear markets specified by RA Brown at www.robbrownonline.com

Bottom line

The current downturn is unpleasant and disturbing. The timing of its end can't be predicted. But . . . history tells us what to expect on the other side. The rebound is not something to miss out on. Your financial advisor has a menu of possible investment solutions that are directly relevant to the issues discussed above. But the solution that is most appropriate to your unique needs and circumstances can only grow out of a meaningful discussion with your advisor. Reach out to them, talk with your advisor.

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Important disclosures

The information in this document is for the purpose of information exchange.

This is not a solicitation or offer to buy or sell any security.

You must do your own due diligence and consult a professional investment advisor before making any investment decisions.

The use of a proprietary technique, model, or algorithm does not guarantee any specific or profitable results.

The risk of loss in trading securities can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. No strategy, including asset allocation and diversification, can assure success or protect against loss. Stock investing involves risk, including loss of principal. Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price. International debt securities involve special additional risks. These risks include, but are not limited to, currency risk, geopolitical and regulatory risk, and risk associated with varying settlement standards. These risks are often heightened for investments in emerging markets. International debt securities involve special additional risks. These risks include, but are not limited to, currency risk, geopolitical and regulatory risk, and risk associated with varying settlement standards. These risks are often heightened for investments in emerging markets. The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings.

The "ultra-diversified 60/40 US portfolio" is defined as 42.75% S&P 500 Index, 14.25% Dow Jones Industrials Average Index, 9.5% Dow Jones Investment Grade Corporate Bond Index, 9.5% Moody's AAA long-term corporate bond index, 9.025% 5-year US Treasury bonds, 9.025% 1-year US Treasury bonds, 2.5% Diversified commodities, 2.5% gold bullion, and 0.95% 90-day US Treasury bills. With monthly rebalancing.

All data was provided by Global Financial Data, Inc. on September 26, 2022.

All information contained in this document is believed to come from reliable sources. We do not warrant the accuracy or completeness of information made available and therefore will not be liable for any losses incurred.

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