Market Recovery: How Long?

The Ten Largest Stock Market[1] Drawdowns Between January 1926 and March 2010

A stock market drawdown encompasses the complete cycle of market decline (from peak to trough) and subsequent recovery (from trough to peak).

		Decline From Peak[3]	Return Required to Recovery[4]	Market Peak	Market Trough	Market Recovery	Decline In Months	Recovery In Months	Drawdown Duration In Months
	1	83.66%	511.95%	Aug 1929	Jun 1932	Feb 1945	34	152	186
Current[2]	**2**	**55.32%**	**123.79%**	**Oct 2007**	**Mar 2009**	**?**	**17**	**?**	**?**
	3	44.71%	80.87%	Aug 2000	Sep 2002	Oct 2006	25	49	74
	4	42.60%	74.22%	Dec 1972	Sep 1974	Jun 1976	21	21	42
	5	29.58%	42.00%	Aug 1987	Nov 1987	May 1989	3	18	21
	6	29.15%	41.15%	Nov 1968	Jun 1970	Mar 1971	19	9	28
	7	22.26%	28.63%	Dec 1961	Jun 1962	Apr 1963	6	10	16
	8	21.83%	27.93%	May 1946	Nov 1946	Oct 1949	6	35	41
	9	16.49%	19.75%	Nov 1980	Jul 1982	Oct 1982	20	3	23
	10	15.73%	18.67%	Jan 1966	Sep 1966	Mar 1967	8	6	14
	Average	**36.13%**	**96.90%**				**16**	**34**	**49**

(1) Stock market performance is represented by the S&P 500 Index, including dividends. All drawdown percentages, other than those pertaining to the current drawdown, are derived from the closing value of the S&P 500 Index, including dividends, on the last day of each of the months indicated.
(2) The current drawdown percentages are derived from the closing value of the S&P 500 Index, including dividends, at its peak on October 9, 2007 and its trough on March 9, 2009.
(3) The magnitude of the market decline is expressed as a percentage of the market value at the peak.
(4) The magnitude of the market recovery is expressed as a percentage of the market value at the trough.

Notable Points

- The total amount of time the market has spent in a drawdown or below a previous market peak, without regard to magnitude, is 821 months, or over 82% of the time between January 1926 to March 2010.
- Recovery time from trough to peak averaged 69.0% of drawdown duration.
- The longest drawdown, lasting a total of 186 months, began with the largest decline, 83.66% between August 1929 and June 1932, and ended with the largest recovery, 511.95% between June 1932 and February 1945.
- Since 1946, the market has experienced 9 drawdowns characterized by at least a 15% decline (including the current drawdown) that lasted an average of 32 months (excluding the current drawdown).
- The S&P 500 Index, including dividends, consists of 500 widely held common stocks with the minimum market capitalization in excess of $3 billion. It is a capitalization-weighted index (stock price times shares outstanding) providing a broad indication of stock price movements. Construction of the S&P 500 proceeds from industry groups to the whole. Since some industries are characterized by companies of relatively small stock capitalization, the index is not comprised of the 500 largest companies on the New York Stock Exchange. The index is calculated on a total return basis, which includes reinvestment of gross dividends and appreciation of market values. One can not invest directly in an index.
- Past performance does not guarantee future results.

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