



Topical Research:

Bear Market Trends

As of 2/28/22

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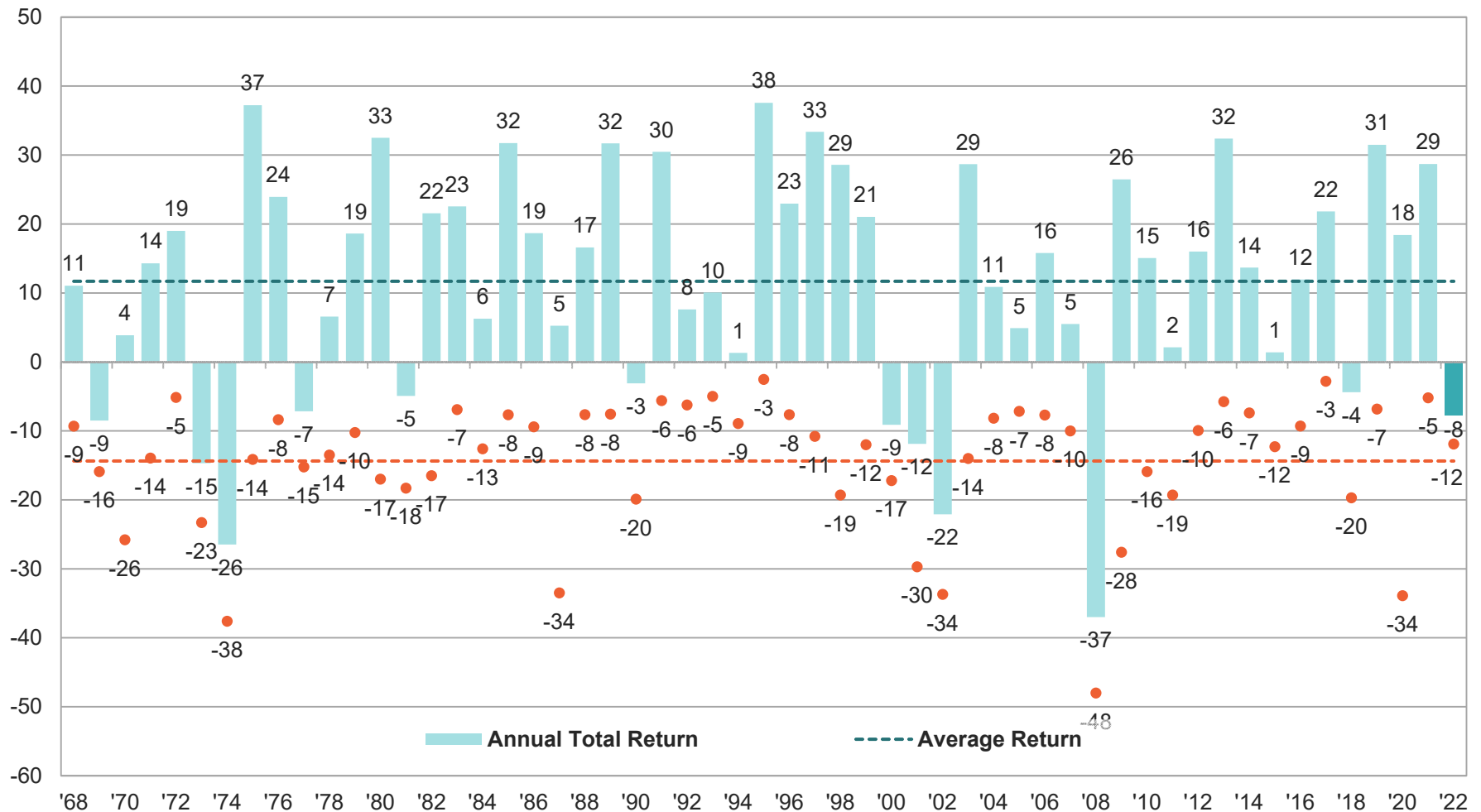
Bear Market Trends

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RETURNS AND DRAWDOWNS

➤ **Despite headlines, unprecedented policy support helped 2021 become one of the least volatile years for stocks in half a century; 2022 has gotten off to a rockier start**

S&P 500 ANNUAL PRICE RETURNS & DRAWDOWNS



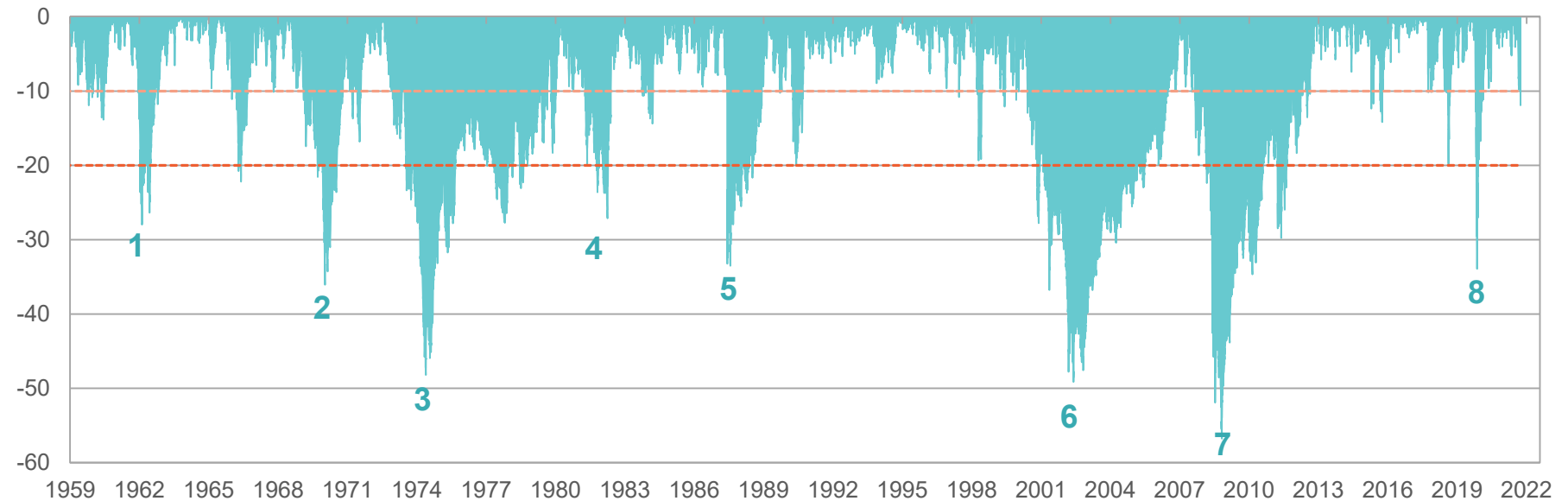
Source: Bloomberg

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➤ Bear markets are inevitable, but they don't last forever

S&P 500 PRICE RETURN DRAWDOWN, %



Bear Market	Market Peak	Bear Market Decline	Months to Low	Months to Recovery	Months in Drawdown
0 Crash of 1929 & onset of Great Depression thru Post WWII slowdown	Sep-1929	-86%	34	266	300
1 1962 flash crash, Cuban Missile Crisis & Cold War of 1962	Dec-1961	-28%	7	14	21
2 Crash of 1970, economic overheating & civil unrest	Nov-1968	-36%	18	22	39
3 OPEC oil embargo & stagflation	Jan-1973	-48%	21	70	91
4 Inflation & Volcker Fed response	Nov-1980	-27%	2	24	26
5 1987 Crash	Aug-1987	-34%	3	20	23
6 Tech Bubble bursting	Mar-2000	-49%	31	55	86
7 Global Financial Crisis	Oct-2007	-57%	17	49	66
8 Fed bubble, Coronavirus Crisis	Feb-2020	-34%	1	4	5
Average*		-40%	14		

Source: S&P 500

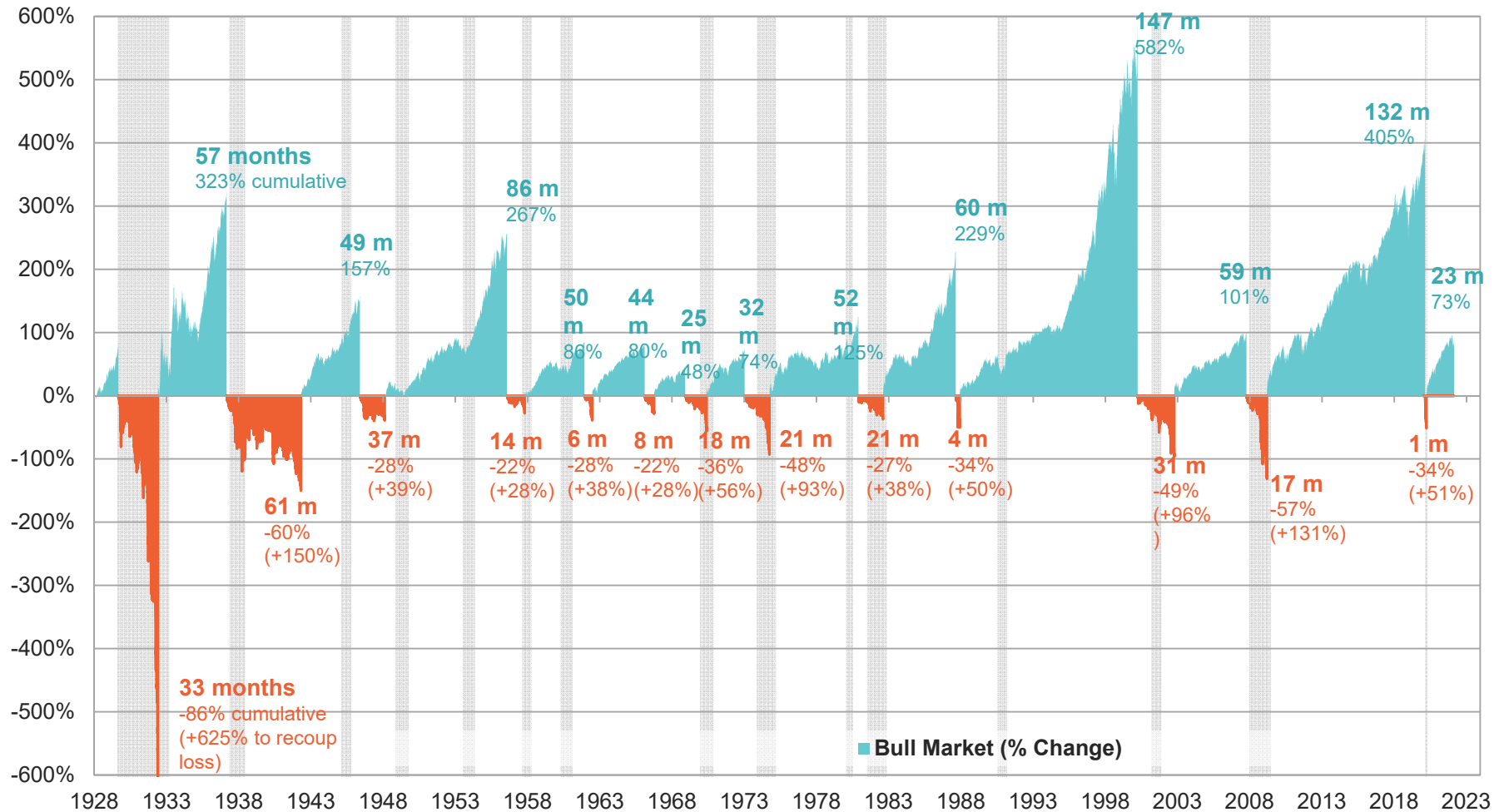
*Excludes Crash of 1929

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U.S. bull market cycles tend to last longer than and outperform bear market drawdowns

S&P 500 INDEX CUMULATIVE RETURNS, %



Source: Bloomberg, SpringTide

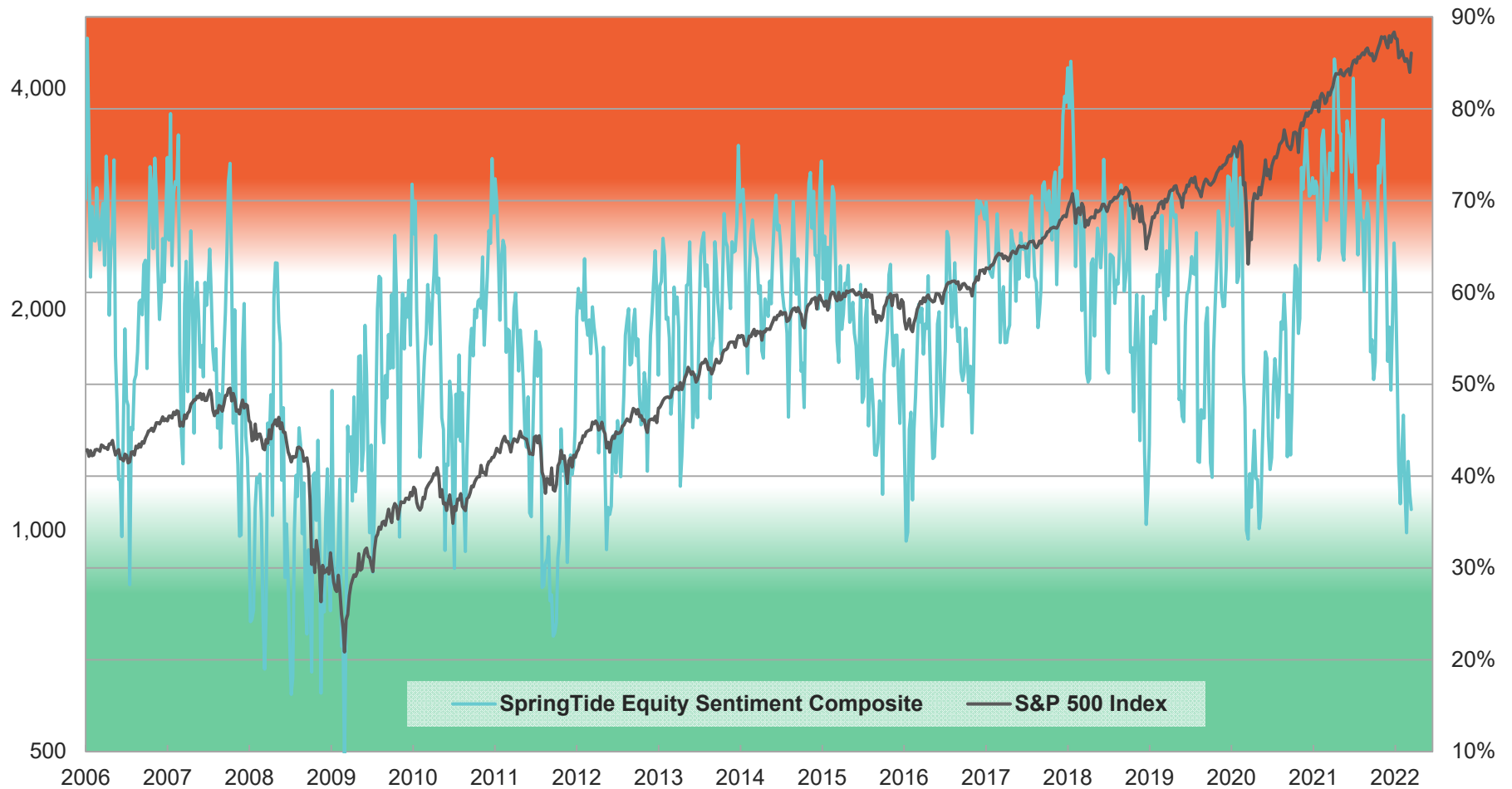
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U.S. equity sentiment has dropped to 36%, the lowest reading since March 2020

S&P 500 INDEX

SPRINGTIDE EQUITY SENTIMENT COMPOSITE



Source: AAI, Investor's Intelligence, TD Ameritrade, NAAIM, UofM, Standard & Poor's, Gallop, CBOE, SpringTide calculations. As of 3/18/2022.

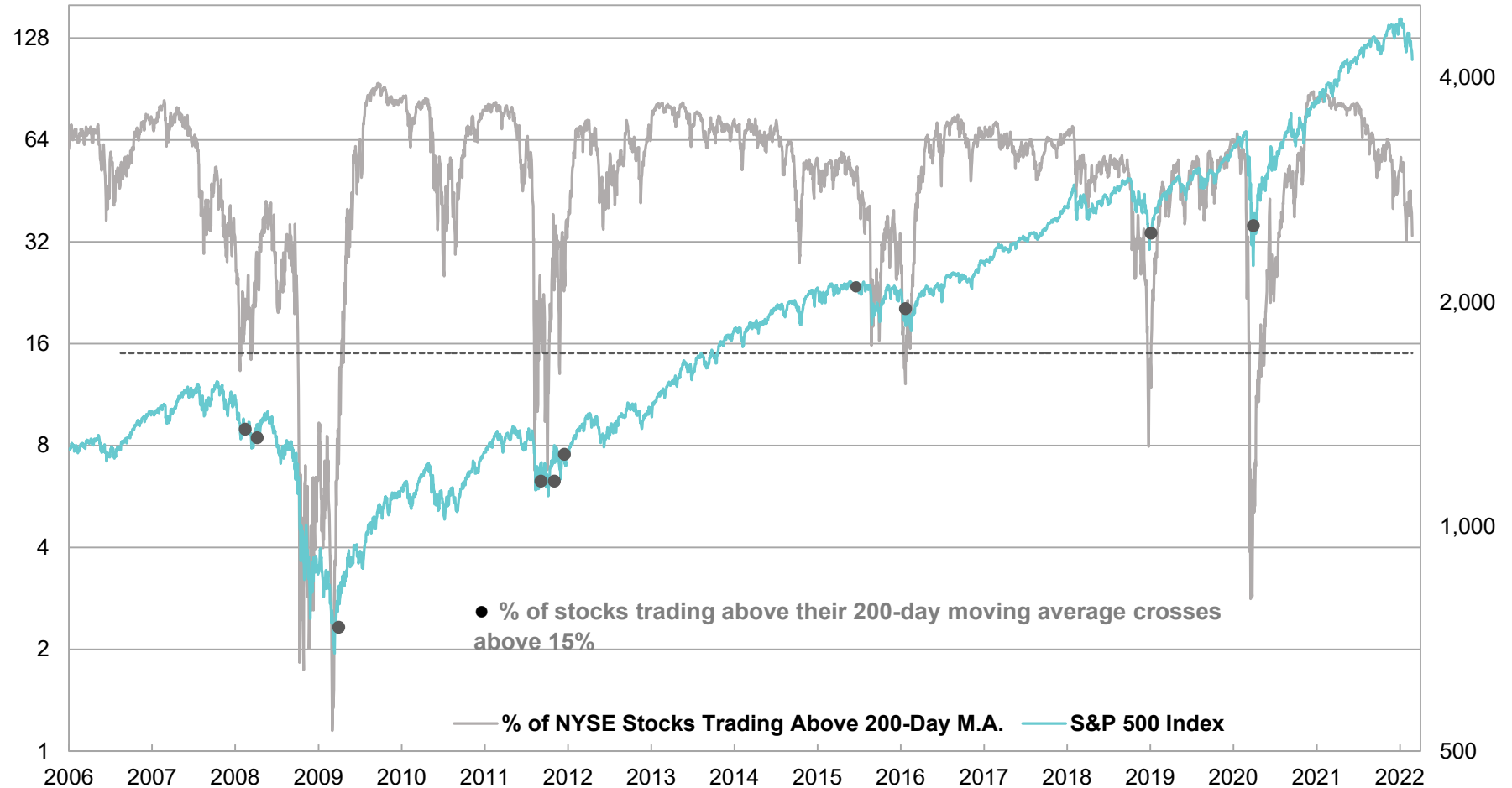
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➤ The percentage of stocks above their 200-Day M.A. has been falling since December of 2020

STOCKS ABOVE 200-DAY MOVING AVERAGE, LOG SCALE %

S&P 500 INDEX, LOG SCALE



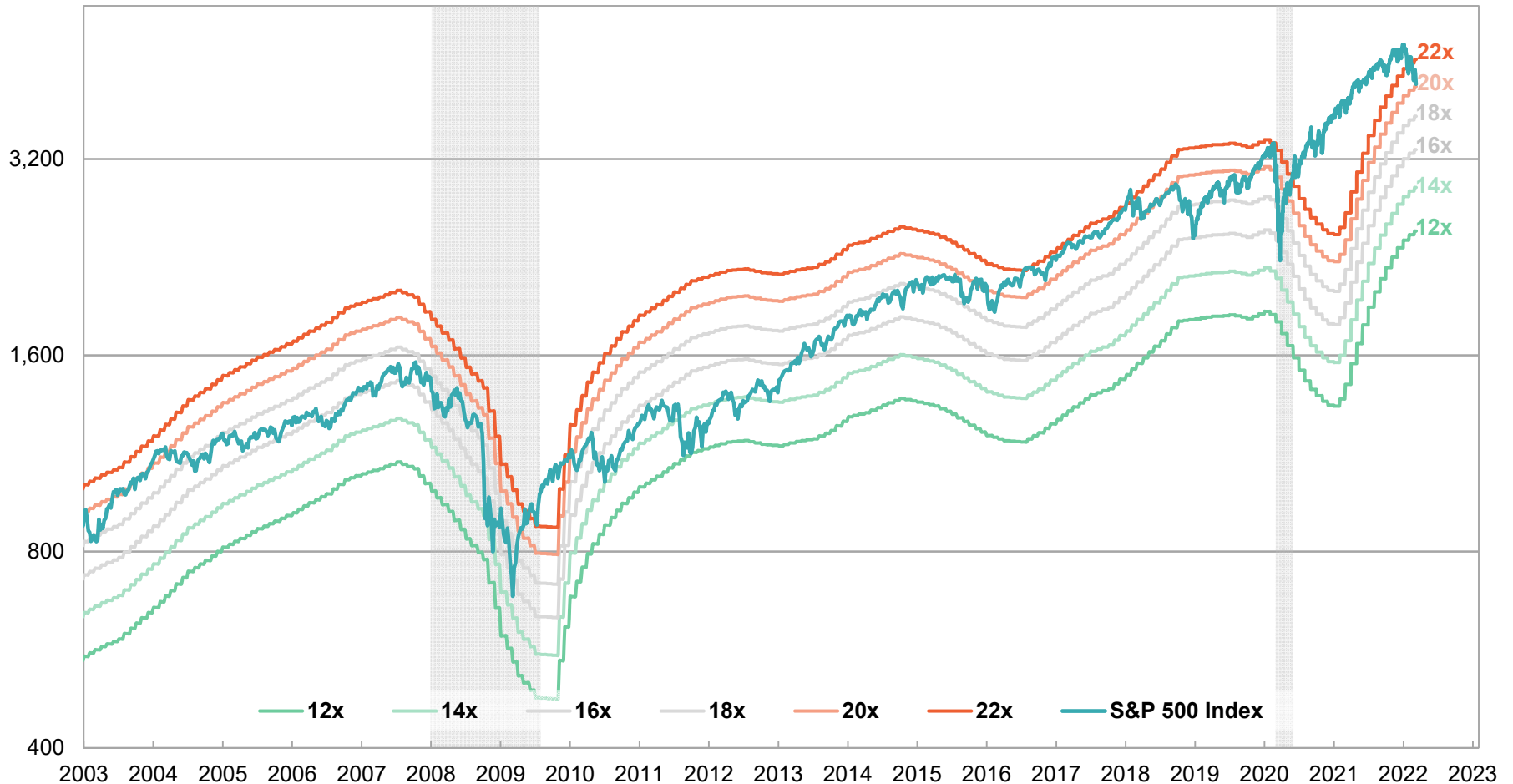
Source: Bloomberg

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U.S. equity valuations remain stretched, but strong earnings growth has closed the gap dramatically since the start of the 2021

S&P 500 INDEX VS. S&P 500 IMPLIED AT VARIOUS P/Es



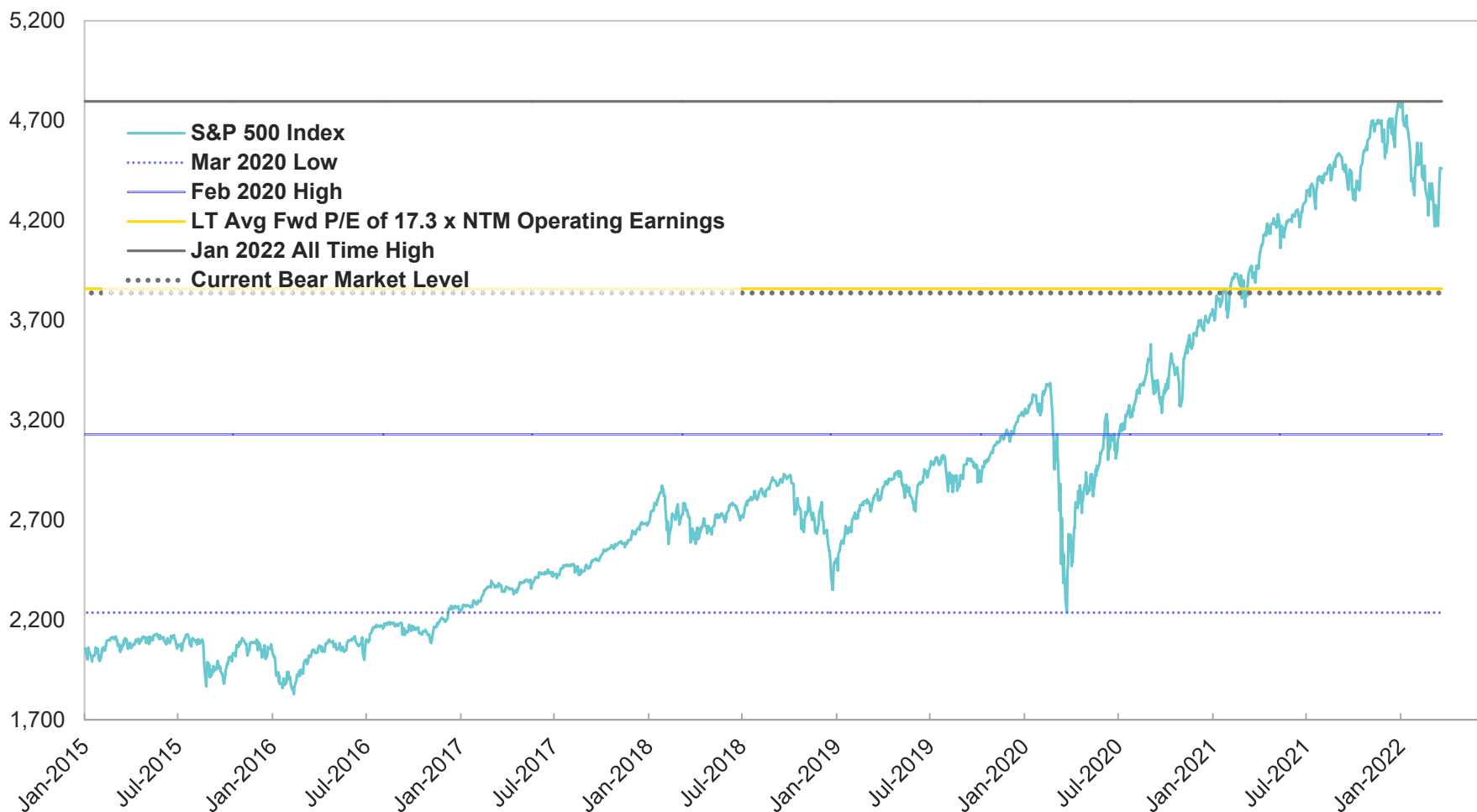
Source: Standard & Poor's. Earnings are smoothed, trailing 12-month, Operating. As of 3/7/2022.

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➤ **Markets have pulled back from ATH's, but are still some way away from a bear market; interestingly, bear market level is inline with LT average market valuation**

S&P 500 INDEX

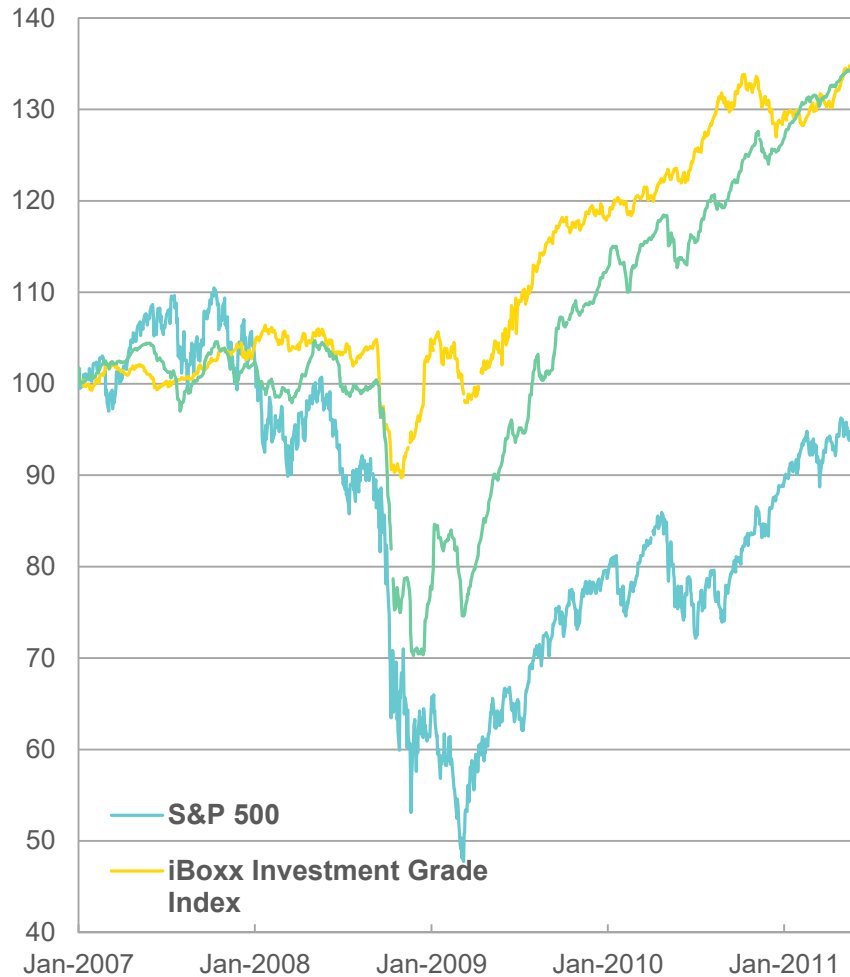


Source: Bloomberg, SpringTide calculations. Long-term average P/E based on data from 1990 to current. As of 3/21/2022.

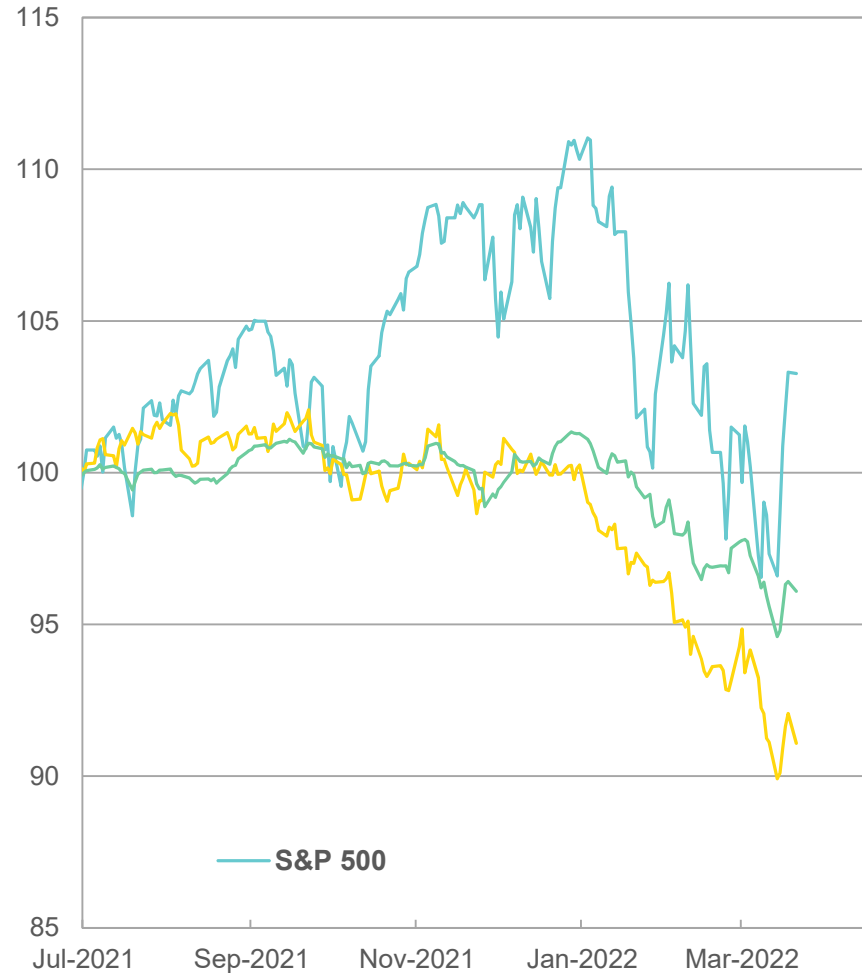
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➤ Credit tends to lead equities on the way out of bear markets

GROWTH OF 100



GROWTH OF 100

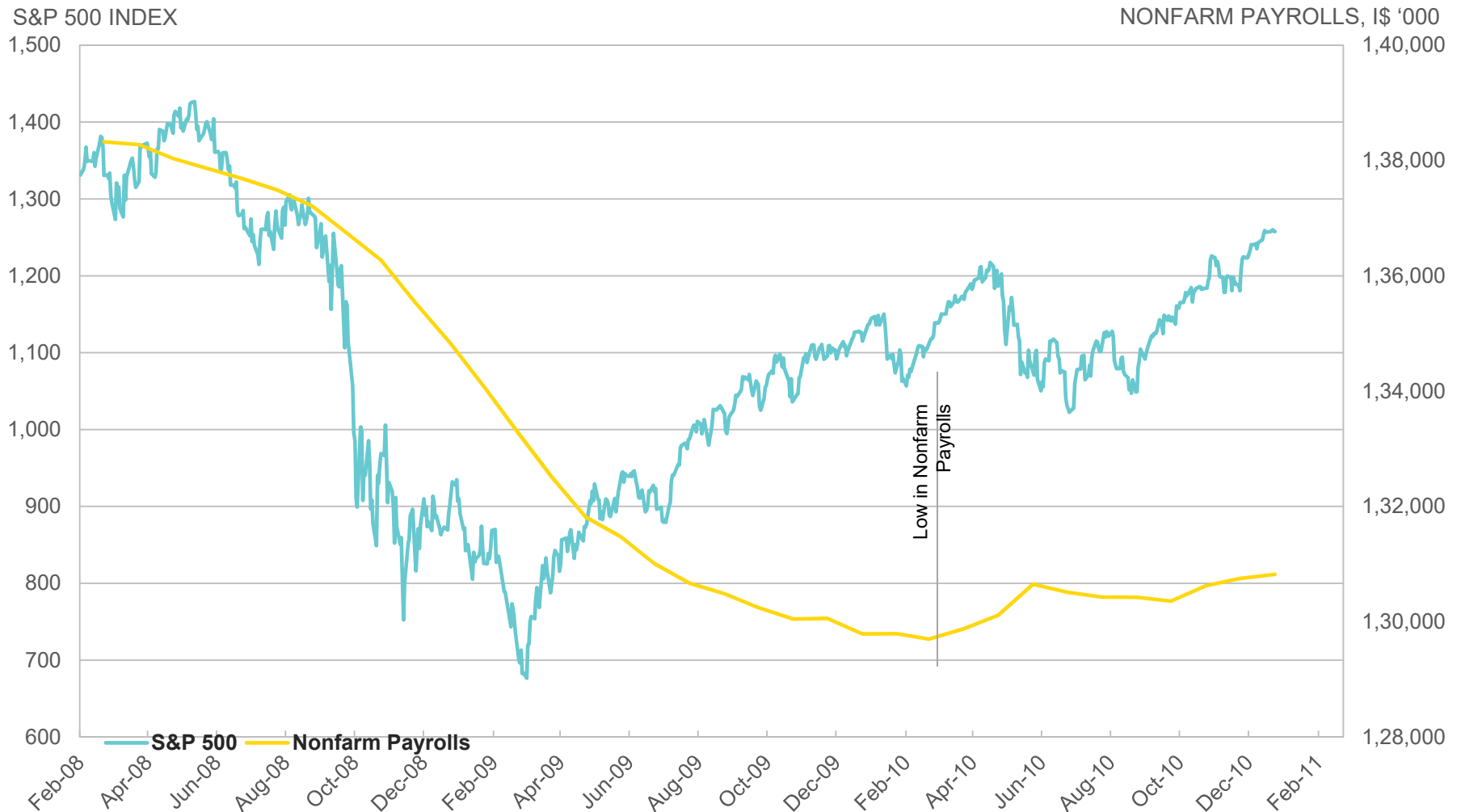


Source: Bloomberg. As of 3/21/2022.

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➤ **Labor is a lagging indicator: by the time the labor market bottomed in 2010, the stock market was already up almost 70%**



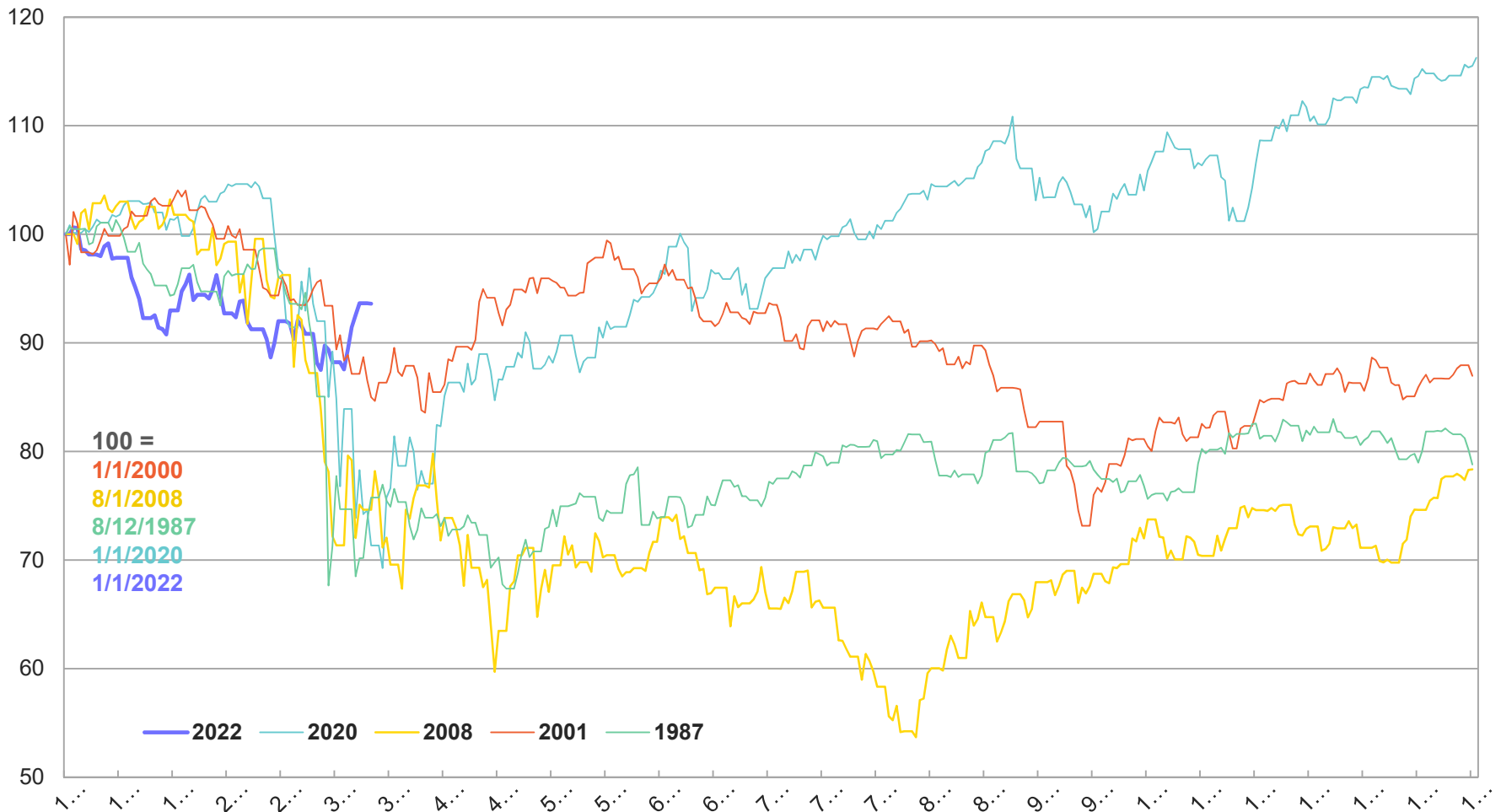
Source: Bloomberg

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Current drawdown vs. historic bear markets

GROWTH OF 100



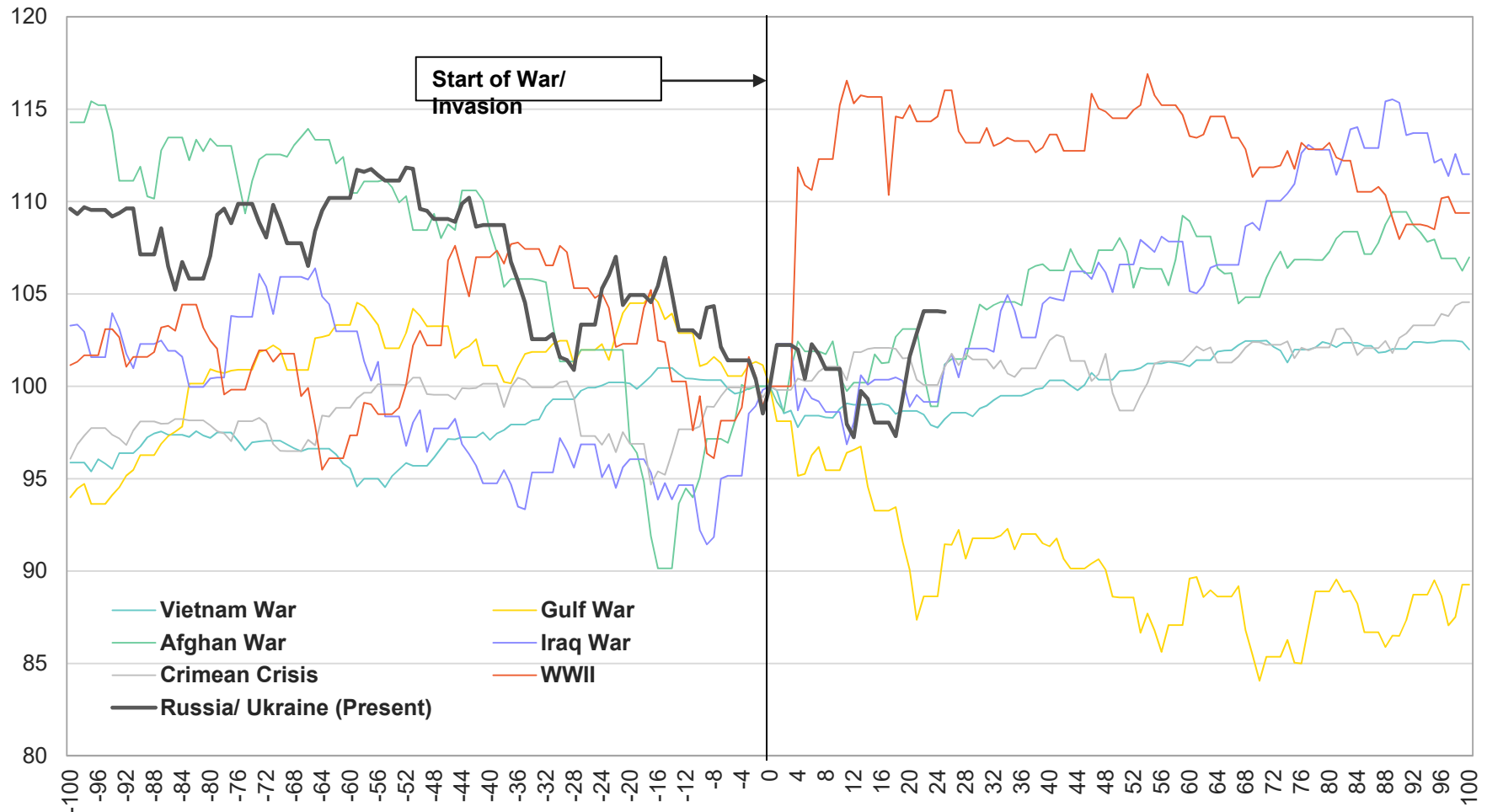
Source: Bloomberg

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➤ Historically the stock market has performed well post the start of a war/ invasion

S&P 500 PR, GROWTH OF 100



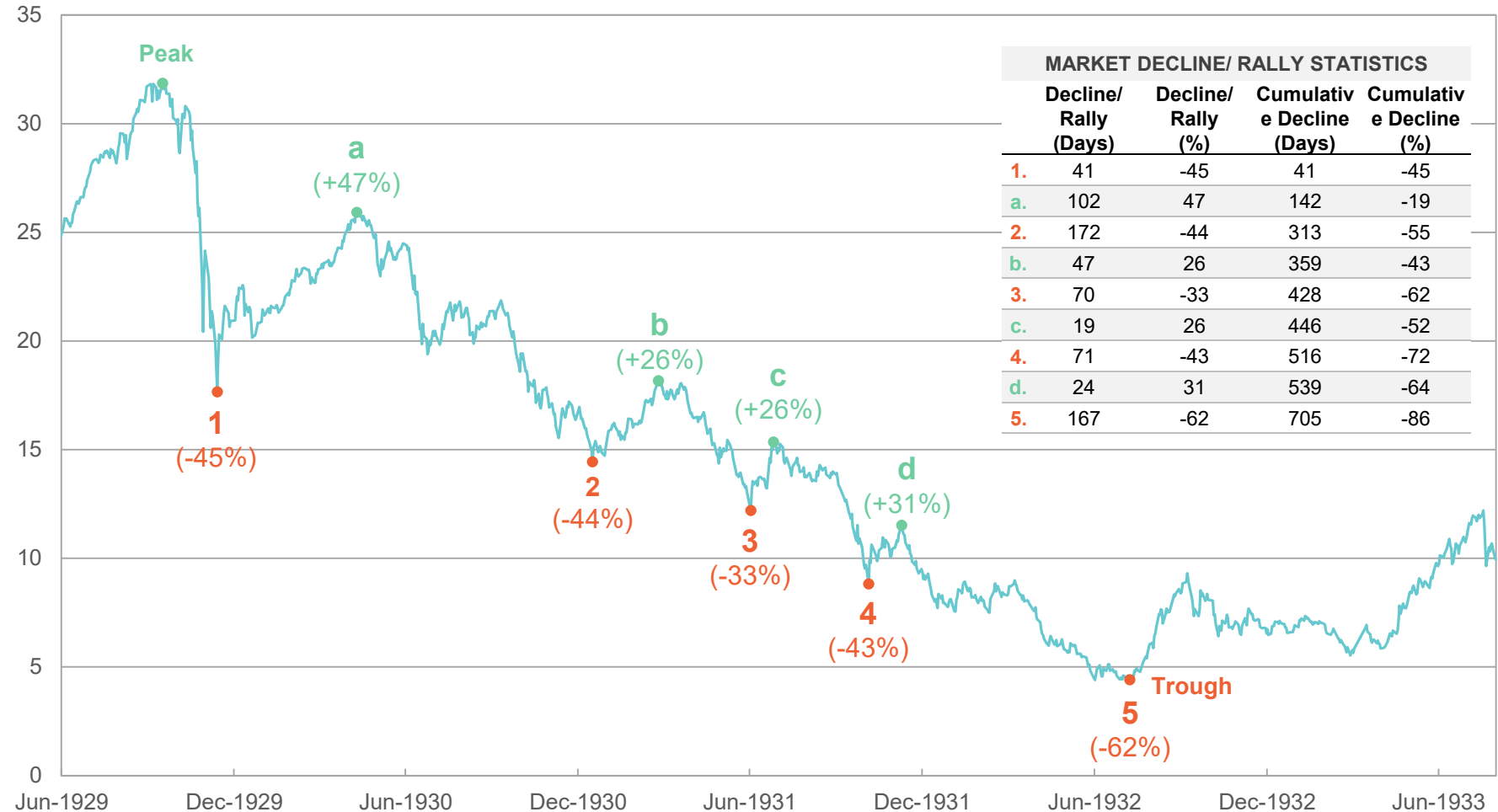
Source: Bloomberg. As of 3/21/2022.

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Bear Market Anatomy: 1929 Crash & Great Depression

S&P 500 INDEX



Source: Bloomberg

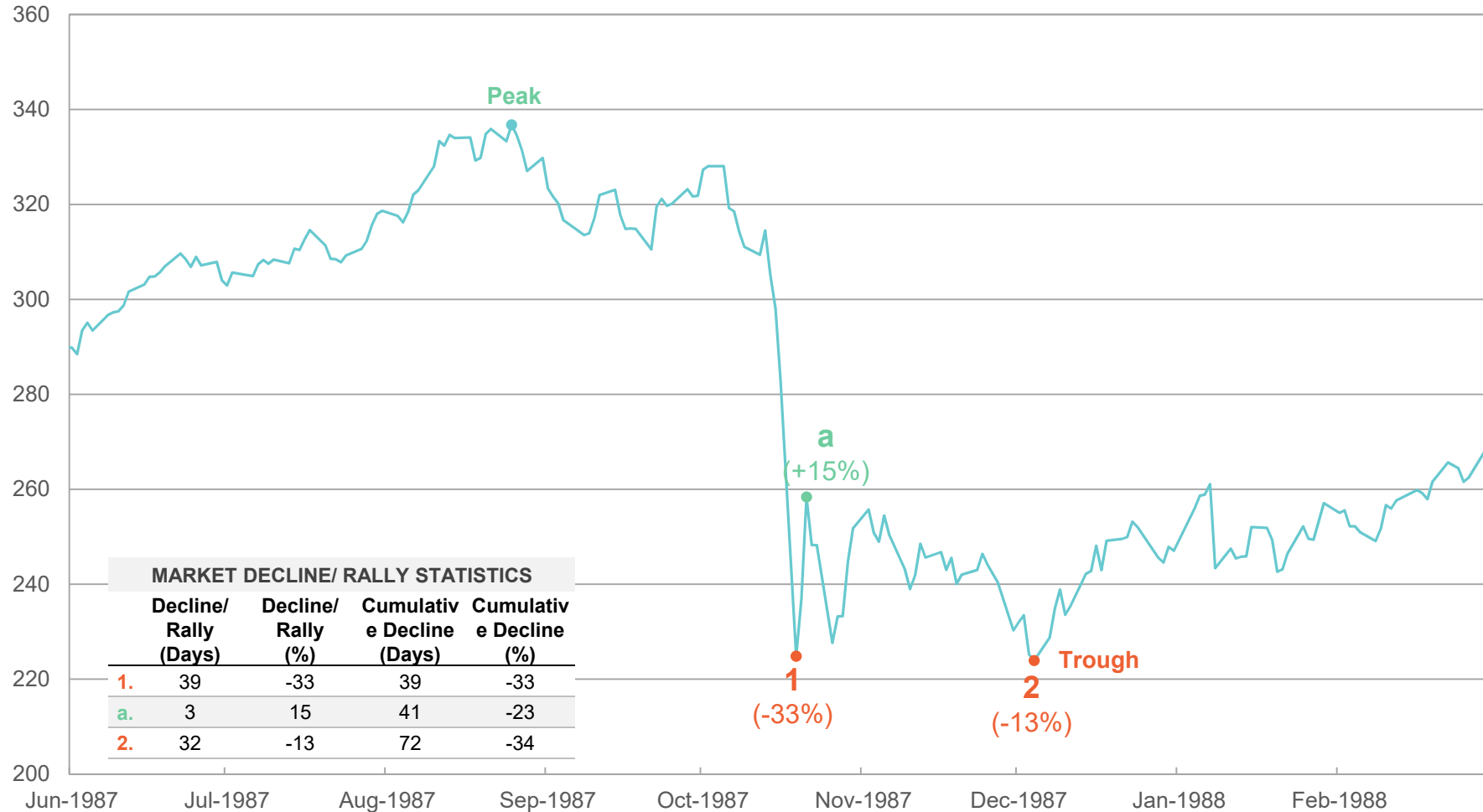
*Days are represented by trading days.

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Bear Market Anatomy: 1987 Crash

S&P 500 INDEX



Source: Bloomberg

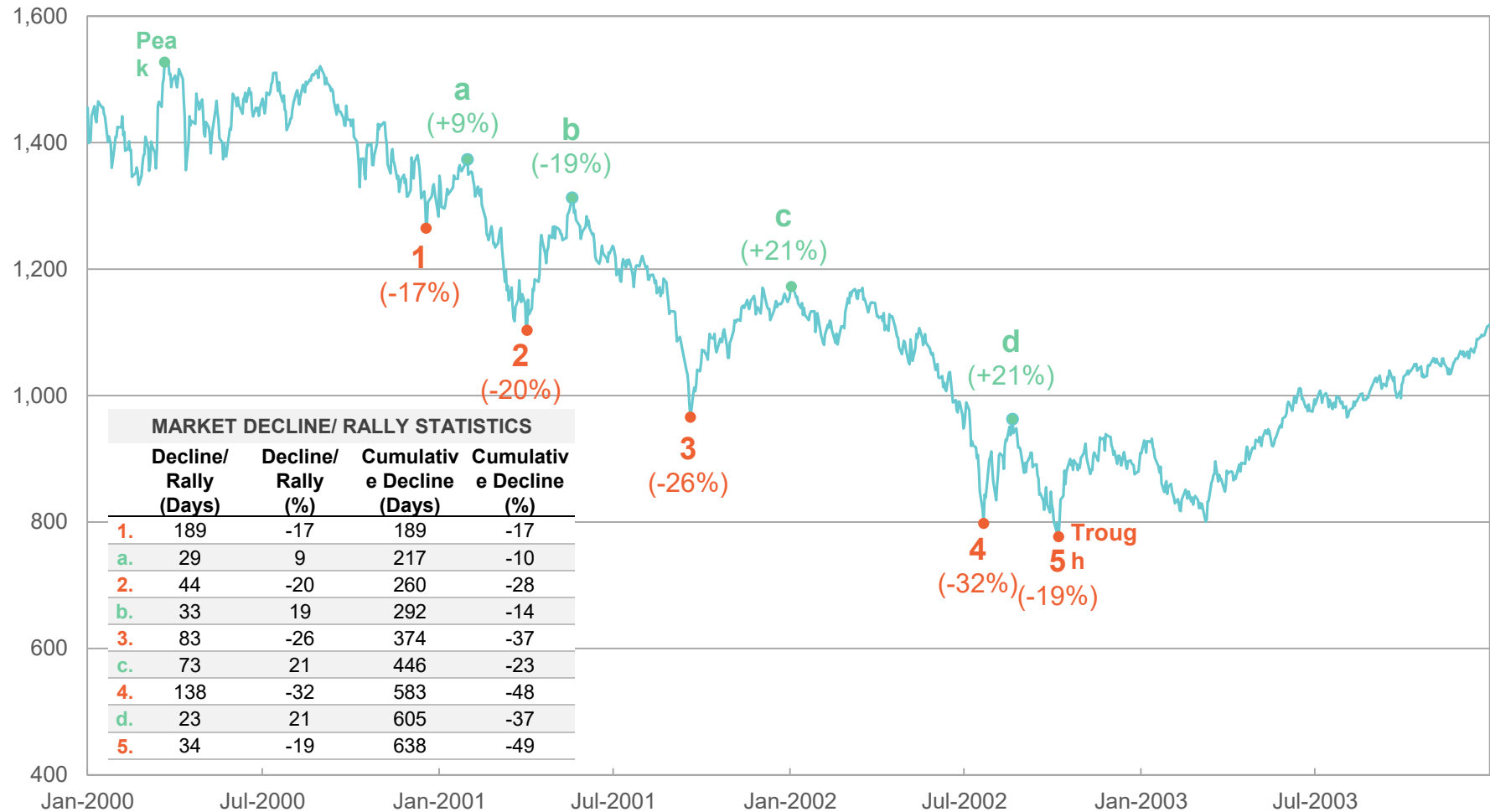
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Bear Market Anatomy: Tech Bubble Bursting

S&P 500 INDEX



Source: Bloomberg

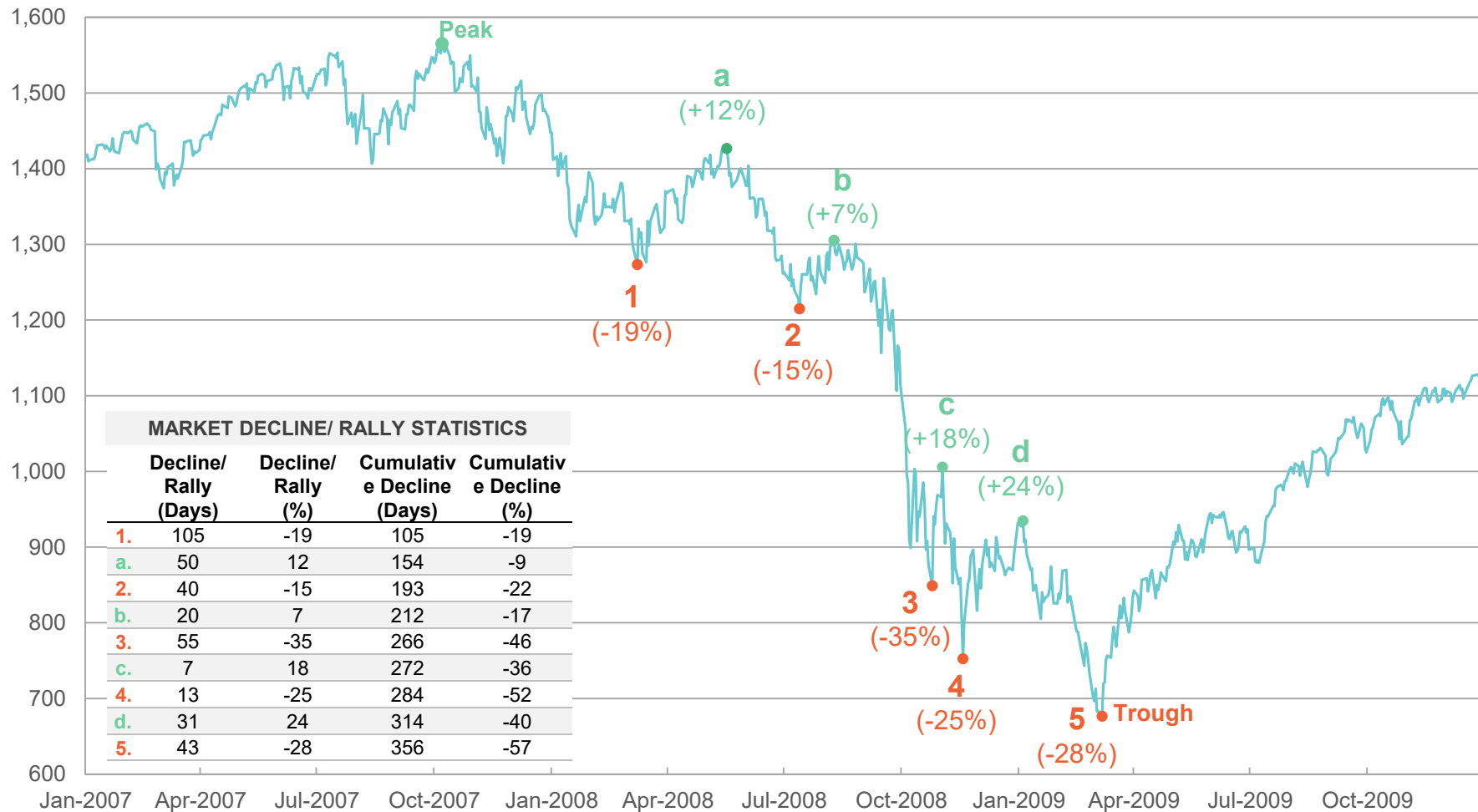
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Bear Market Anatomy: Global Financial Crisis

S&P 500 INDEX



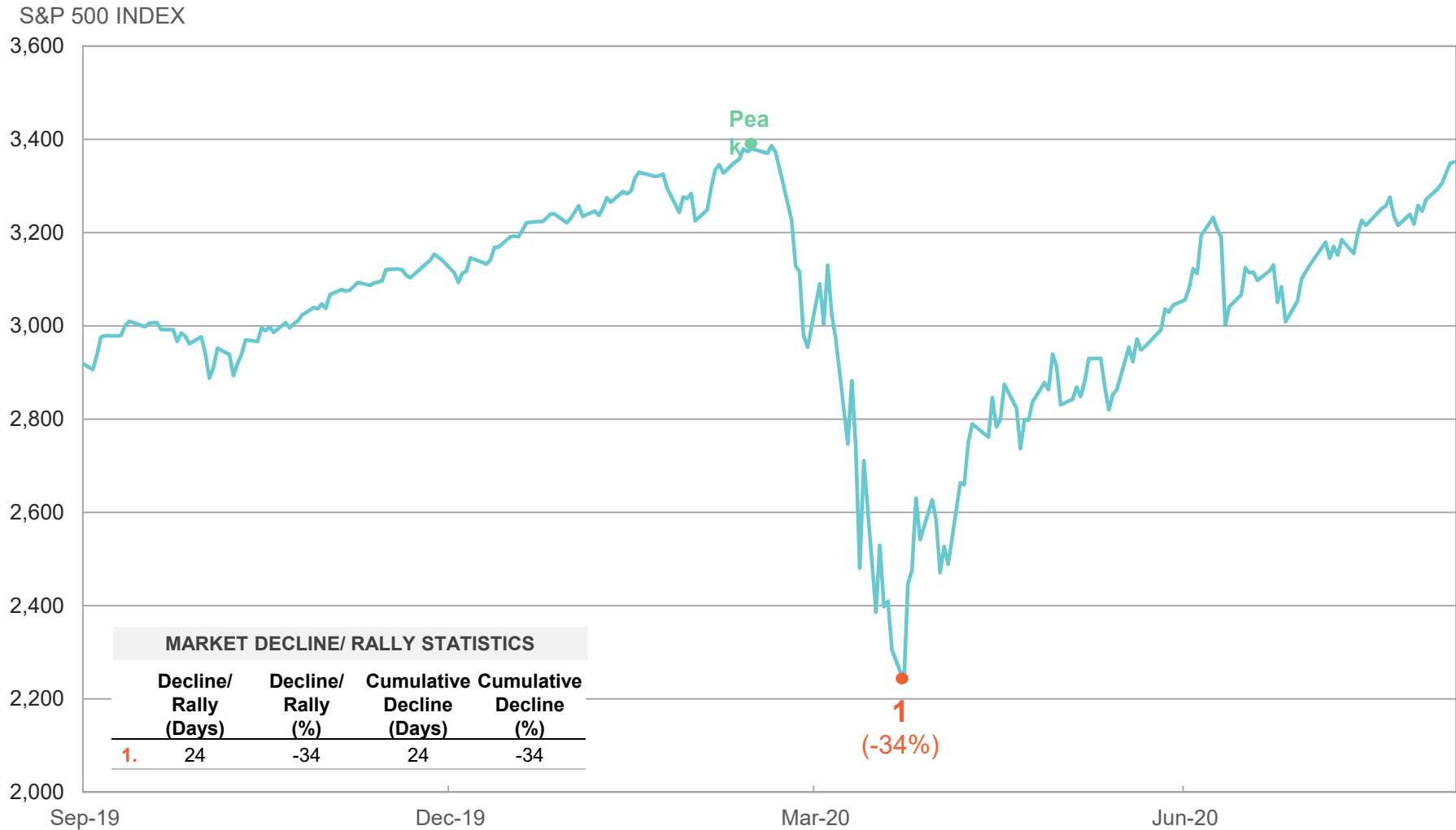
Source: Bloomberg

*Days are represented by trading days.

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➤ Bear Market Anatomy: Coronavirus Crisis



Source: Bloomberg

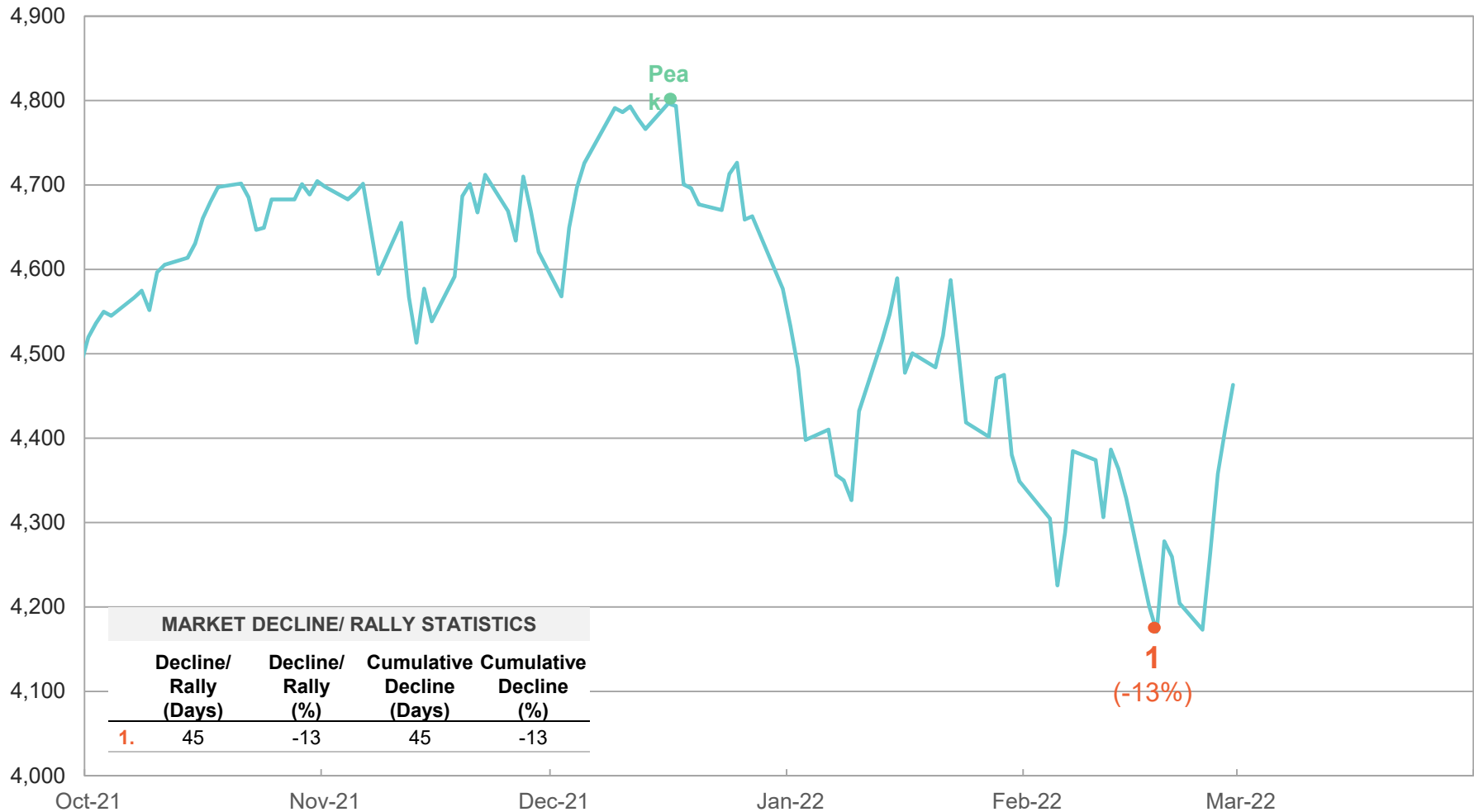
*Days are represented by trading days.

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➤ Could the current market drawdown be the start of a new bear market, or is this simply a correction?

S&P 500 INDEX



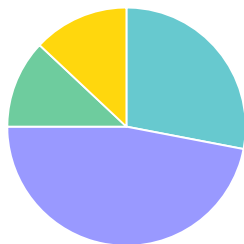
Source: Bloomberg. As of 3/18/2022.
*Days are represented by trading days.

Bear Market Trends

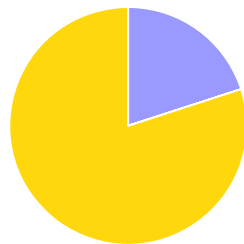
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Recent cycle returns have largely been driven by valuation changes, which has contributed to volatility

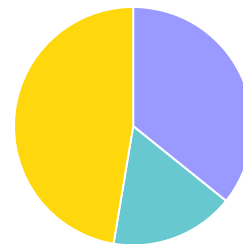
NOVEMBER 1907 – NOVEMBER 1916



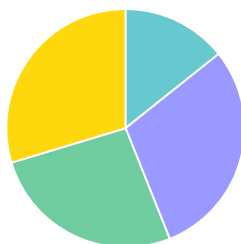
AUGUST 1921 – SEPTEMBER 1929



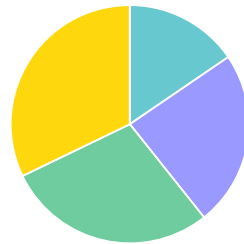
JUNE 1932 – MAY 1946



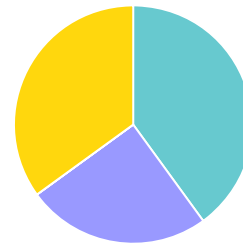
MAY 1947 – DECEMBER 1961



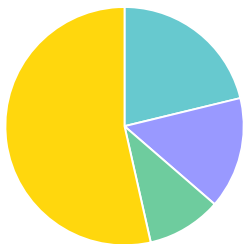
JUNE 1962 – DECEMBER 1968



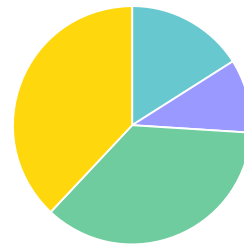
DECEMBER 1974 – AUGUST 1987



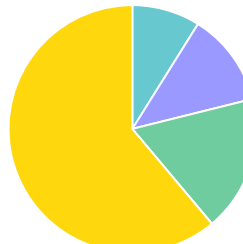
DECEMBER 1987 – AUGUST 2000



FEBRUARY 2003 – OCTOBER 2007



MARCH 2009 – FEBRUARY 2020



■ Inflation ■ Dividend Yield ■ Earnings Growth ■ Valuation
Changes

Source: Bloomberg

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