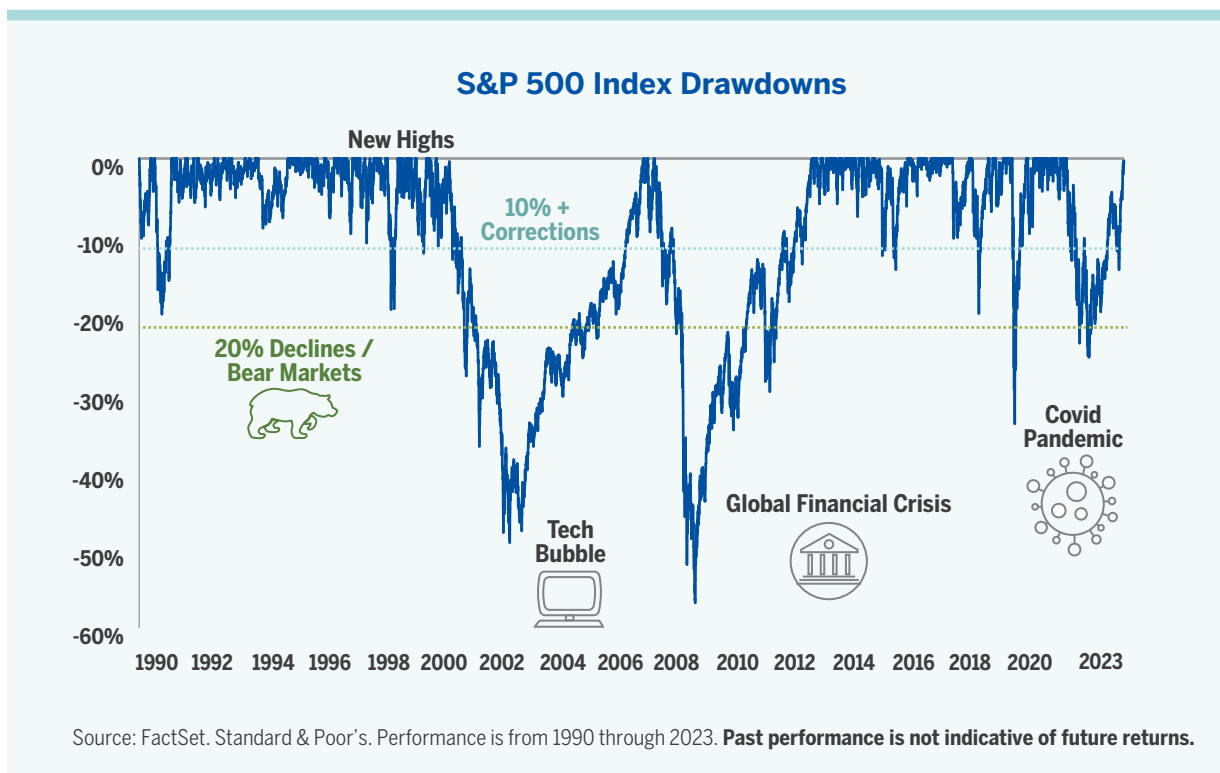




When is the Next Correction?

The S&P 500 Index recently hit a new high and many investors are wondering how long the stock market can stay close to its highs or make new highs. Historically, the S&P 500 has broken new highs on only 8% of all trading days since 1990. However, market drawdowns—declines from prior peaks—are a normal part of investing and often present buying opportunities for long-term investors.



- As the chart above suggests, stock market drawdowns, or declines from peaks, are common. Since 1990, the average drawdown in the S&P 500 has been 14% in a calendar year, and drawdowns of at least 10% have occurred in 19 of the past 34 years.
- Corrections, however, historically did not preclude strong positive returns. Despite significant drawdowns, S&P 500 returns have been positive in 27 of the past 34 calendar years. Moreover, it is important to note that new highs historically have happened in clusters, often lasting several years. For example, the S&P 500 has traded within 2% of its high approximately 60% of the time from 2020 to 2021, 64% from 2014 to 2015, and 61% from 1996 to 1997.
- In our view, corrections are nothing to fear for the long-term investor. Measured in trading days over the past half century, the S&P 500 has been in correction territory, having fallen 10% or more from its previous high, for nearly half (44%) of the time. However, the index has still returned over 11% annually over that time, turning a \$10,000 hypothetical investment into over \$2 million. While market drawdowns can be difficult to endure, our work supports the adage: it's time in the market, not timing the market.

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