

# A bear market survival tip

by **RAFIA HASAN**

This week the U.S. stock market is again in dreaded “bear” market territory. It comes on the heels of the release of the May inflation report, as well as the expectation the Federal Reserve will potentially hike rates at a faster than expected pace in their June meeting, stoking concerns of an imminent recession. A bear market is defined as a decline of 20% or more from the most recent market high.

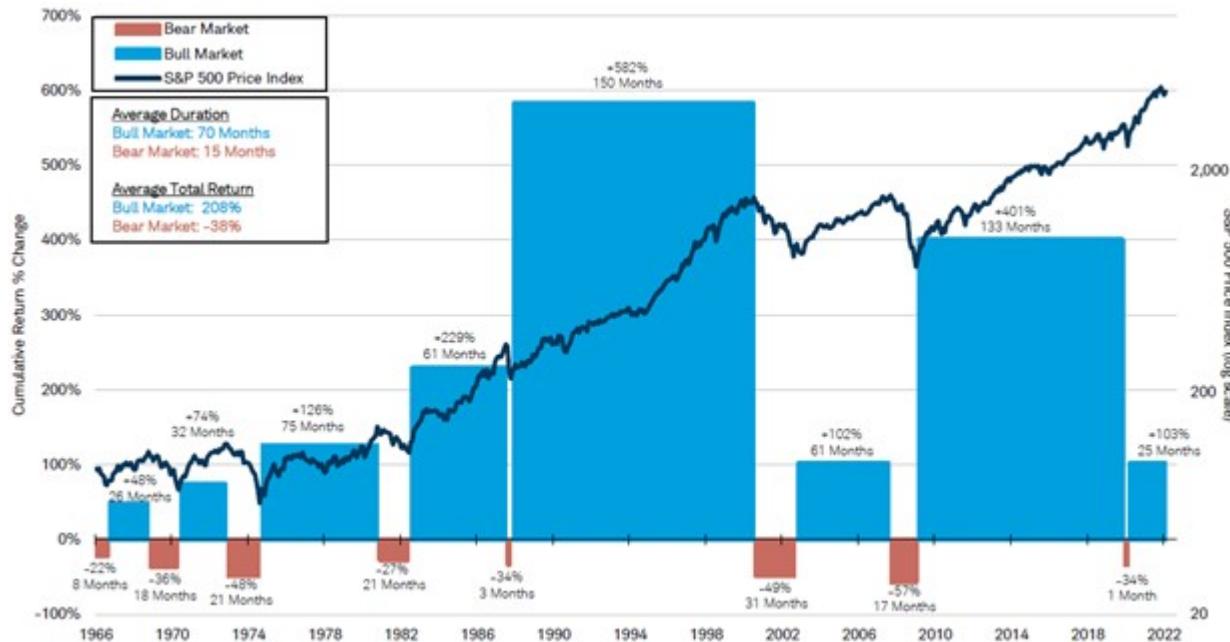
Investing in the stock market requires patience and discipline. We say that often, but the fact is, investors’ patience hasn’t really been tested much by bear markets over the last 15 years. Our last bear market in March 2020 in response to the pandemic was the shortest on record and lasted just one month. The one prior to that occurred 14 years ago but lasted a more trying 17 months.

It can be easy to look back upon those events as little datapoints on a chart and forget about the challenge that staying invested through those periods caused. Yet investors who did just that were eventually rewarded for their patience with much longer periods of rising markets.

## A history of U.S. bull and bear markets

Whether it be high inflation, slowing growth or stagflation, occasional bear markets are a normal part of the economic cycle, as the chart below reflects. As we wrestle with this bear at our doorstep, it can be a helpful reminder that bull markets generally have been 4.5 times longer in duration, with gains far greater in magnitude than losses in bear markets.

You just need to make it through the bear markets to experience those periods of strong growth.



*Source: Charles Schwab, Bloomberg as of 3/31/2022. Bull and bear markets as defined by Yardeni Research. Indexes are unmanaged, do not incur fees or expenses, and cannot be invested in directly. Past performance is no guarantee of future results.*

We don't know when this bear market will end. Neither do the pundits in the media. This is why we stress the need for patience (often called the rarest commodity on Wall Street). While we understand the desire to want concrete answers to an unknown future, we caution that investors should not make decisions based on unreliable predictions. This uncertainty is the price and the pain we must bear to achieve the higher gains the stock market provides over safer instruments, such as cash and fixed income.

Print the chart above or make it your screensaver to look at the next time you feel your confidence wavering in your long-term approach.

If you're concerned about the market environment, contact a Wipfli Financial advisor. We can help you better understand your next steps to take in a bear market and how to stay disciplined.