

Third Quarter 2009 Knowledge College

Too Far Too Fast?

Historical U.S. Stock Market Declines (S&P 500 Index: 1/1/1926–9/30/2009)

- ✓ Nine market declines of greater than 20% since 1926.
- ✓ Average decline was -41.6%.
- ✓ Excludes notable market corrections of -16.9% in 1980, -14.7% in 1990, and -15.4% in 1998.

Historical S&P 500 Index Declines

Market Peak	Drawdown	Duration (Years)
September 1929	-83.4%	2.8
March 1937	-50.0%	1.1
June 1946	-21.8%	0.5
January 1962	-22.3%	0.5
December 1968	-29.2%	1.6
January 1973	-42.6%	1.7
September 1987	-29.5%	0.2
September 2000	-44.7%	2.1
November 2007	-50.9%	1.3
Average	-41.6%	1.3

Historical U.S. Economic Recessions (1/1/1929 – 6/30/2009)

- ✓ 14 recessions since 1929. Five lasted longer than one year including current, which is 1.8 years through June 2009.
- ✓ On average, 4.9 years between recessions.
- ✓ Real GDP declined an average of 4.8% during recessions (excluding current).
- ✓ Excluding the severe recession of 1929, real GDP declined an average of 3% during recessions (not including current).
- ✓ The prior thirteen recessions lasted an average of 1.1 years.
- ✓ There were two “double-dip” recessions (1929/1937 and 1981/1982).

Historical U.S. Recessions¹

Begin Date	End Date	Real GDP Decline	Duration (Years)
August 1929	March 1933	-26.7%	3.6
May 1937	June 1938	-3.4%	1.1
February 1945	October 1945	-12.7%	0.7
November 1948	October 1949	-1.7%	0.9
July 1953	May 1954	-2.6%	0.8
August 1957	April 1958	-3.1%	0.7
April 1960	February 1961	-1.6%	0.8
December 1969	November 1970	-0.6%	0.9
November 1973	March 1975	-3.2%	1.3
January 1980	July 1980	-2.2%	0.5
July 1981	November 1982	-2.7%	1.3
July 1990	March 1991	-1.4%	0.7
March 2001	November 2001	-0.3%	0.7
Average		-4.8%	1.1
December 2007 ²	?	-3.7%	1.8

¹ As determined by the National Bureau of Economic Research (NBER) as "a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales."

² Current recession still in progress as of June 30, 2009.

Historical U.S. Stock Market Recoveries (S&P 500 Index: 1/1/1926–9/30/2009)

- ✓ A robust stock market recovery followed each historical decline.
- ✓ Once a bottom was established, the stock market took an average 2.8 years to recover losses.
- ✓ Returning +45.8% (through 9/30/09), the current upturn has significantly outpaced the historical 7-month trough recovery average (+34.9%).
- ✓ After seven months, stock market recoveries still needed a +38.6% return (on average) to reach their previous high. Excluding 1932, recoveries needed an average +17.7% return.

Historical S&P 500 Index Recoveries

Market Trough	7-month return after trough	Return still needed to reach prior peak after first 7-months of recovery	Trough to break-even (Years)
June 1932	63.4%	268.9%	12.6
March 1938	59.2%	25.7%	6.8
November 1946	6.8%	19.7%	2.9
June 1962	23.4%	4.3%	0.8
June 1970	34.5%	5.0%	0.7
September 1974	41.1%	23.5%	1.8
July 1982	42.9%	-	0.3
November 1987	21.2%	17.1%	1.5
October 1990	31.0%	-	0.3
August 1998	35.5%	-	0.3
September 2002	13.7%	59.2%	4.1
Average	34.9%	38.6%	2.8
March 2009 ¹	45.8%	39.9%	?

¹ Recovery still in progress as of September 30, 2009.