

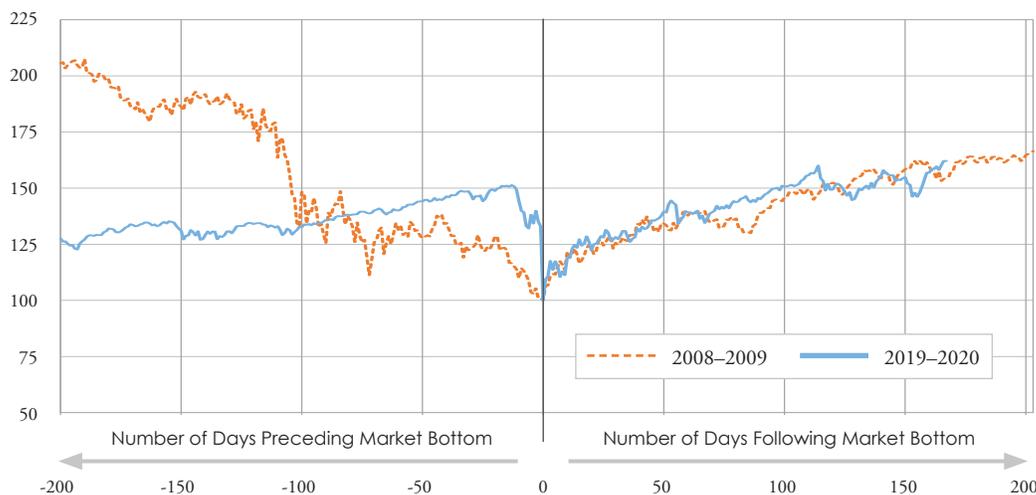
BEAR AND BULL MARKETS COMPARED

The stock market's sharp recovery from its tumble earlier this year has rightly raised concerns about whether the recovery has been too strong and too fast. However, a comparison of this year's market action with the last significant market decline and recovery in 2008-2009 suggests that the recent recovery is not unprecedented.

The chart below shows the S&P 500 price before and after the last two significant market declines and recoveries (the S&P 500 price is indexed at 100 from each market bottom for easy comparison). The market decline in 2008 and early 2009 was long and steady, ultimately ending on 3/9/2009. In fact, the market declined 56% from its highest price in late 2007 and was in a decline for almost a year and a half. It then enjoyed a strong recovery, gaining 54% over the next 200 trading days.

S&P 500 DECLINE AND RECOVERY: 2008-09 vs 2019-20

Price Indexed at 100 at Market Bottom



Data as of 11/20/2020

Source: Renaissance Research, S&P Dow Jones

In contrast, the decline earlier this year was very sharp and quick, and it came after steady gains in 2019 and early in 2020. After reaching a high on 2/19/2020, the S&P 500 dropped 33% in only 24 days, bottoming on 3/23/2020. Thereafter, the market staged a very strong recovery in a short period of time, gaining over 60% through 11/20/2020, which has led to concern about whether the market recovery has been too far and too fast.

Comparing the 2009 recovery with 2020 illustrates that, in fact, the stock market recovery has been virtually the same in both cases. Significant action by the Federal Reserve (quantitative easing) and the Federal government (stimulus programs) helped spark both recoveries, even in the face of near-term declines in corporate profits.

S&P 500 SINCE MARCH 4, 2009 LOW



Data from 3/4/2009-11/20/2020

Source: Renaissance Research, S&P Dow Jones

Looking forward, it is worth noting that the 2009 recovery was followed by many years of further market gains, despite volatility along the way. While the current market environment surely presents risks,

a longer-term perspective of investment opportunities, particularly given recent advances in the development of COVID vaccines, suggests that stocks continue to offer good investment potential.

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REFERENCED INDEX

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