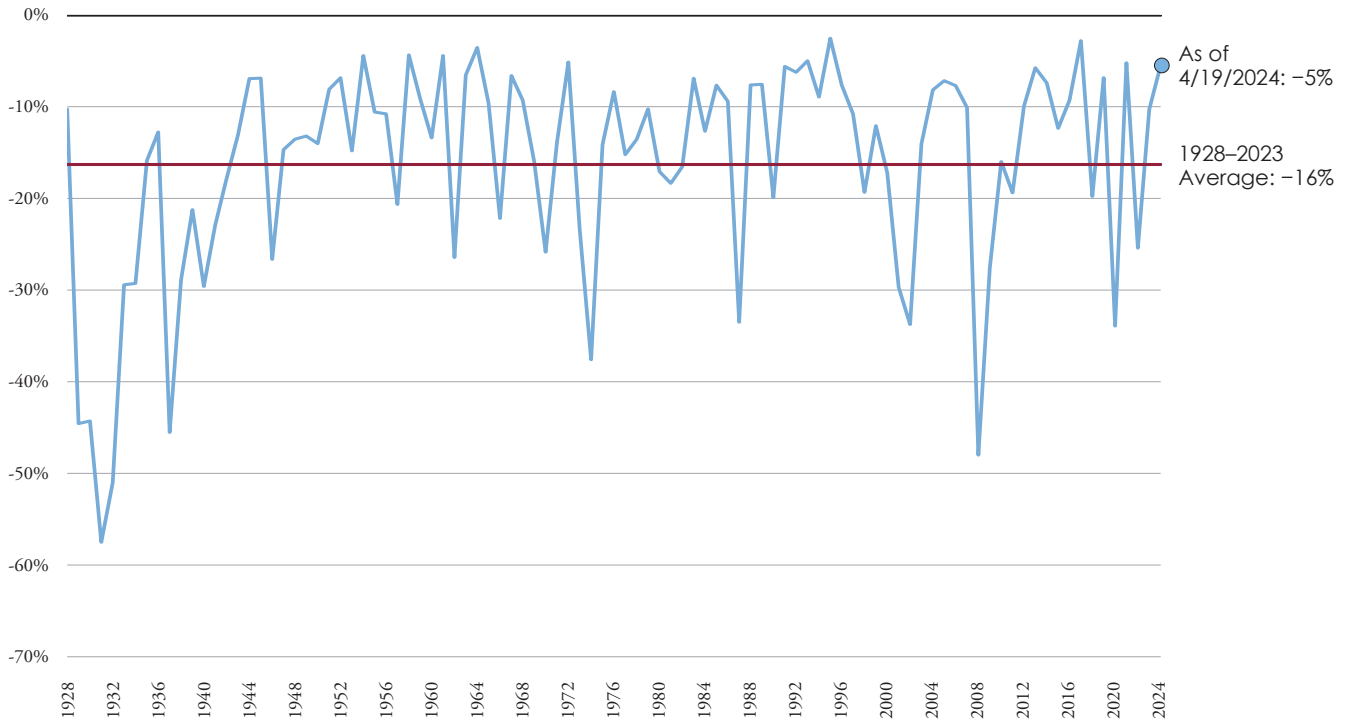


Stock Market Drawdowns in Perspective

Stocks suffered their worst correction so far this year from March 28 through April 19, as the S&P 500 dropped 5%. However, periodic drawdowns from recent market highs should always be expected, and the March/April decline was remarkably small from a historical perspective. It is critically important for investors to adjust their expectations accordingly.

The chart below shows the drawdown in the S&P 500 each calendar year since 1928 (drawdown defined as the percentage change from the market's highest price during the year and the subsequent lowest price following the high). As the chart illustrates, drawdowns are an inherent part of investing in stocks. It is extremely unlikely that the market could rise every day throughout a year and end the year at its highest point. The average drawdown in calendar years since 1928 has been -16%.

S&P 500 Drawdowns During Calendar Years



Data from 1/1/2028–4/19/2024
Source: Bloomberg

Drawdowns in a calendar year do not necessarily imply a weak return for the market in the year as a whole. For example, the S&P dropped 10% from the end of July through October 27 last year yet ended 2023 as a whole up 26%.

If 2024 had ended on April 19, the drawdown in the S&P 500 would have ranked as the tenth least severe since 1928 (97 years). It seems unlikely (although not impossible) that this will be the worst drawdown of 2024 as a whole. Perhaps more likely is a further decline in the months ahead or a decline from a higher starting price later in the year. In any case, a realistic consideration of how the market has experienced periodic drawdowns every year over the past 97 years should result in investors adjusting their risk and return expectations accordingly.

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REFERENCED INDEX

(Indices are unmanaged and are not available for direct investment.)

S&P 500 Index—The S&P 500 Stock Index is a market capitalization weighted index and consists of 500 stocks chosen for market size, liquidity and industry group representation.

S & P DATA

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