

Stock Market Bottoms - Part 2

How Long does it take for Stocks to Bottom in a Bear Market?



Following on from [What Signals a Stock Market Bottom?](#) It is reassuring to know bear markets do come to an end even if you don't know when it will be.

As the early Victorian MP and current backbencher, Jacob Rees-Mogg said some years ago, "all bear markets are temporary".

This is every bear market since WW2, showing the number of months they lasted peak-to-trough and then how long it took to make your money back from the bottom:

Peak	Trough	% Decline	Peak-to-Trough (Months)	Breakeven (Months)
5/29/1946	10/9/1946	-26.6%	4	36
6/15/1948	6/13/1949	-20.6%	12	6
7/15/1957	10/22/1957	-20.7%	3	10
12/12/1961	6/26/1962	-28.0%	6	11
2/9/1966	10/7/1966	-22.2%	8	6
11/29/1968	5/26/1970	-36.1%	18	20
1/11/1973	10/3/1974	-48.2%	21	46
11/28/1980	8/12/1982	-27.1%	20	3
8/25/1987	12/4/1987	-33.5%	3	17
3/24/2000	10/9/2002	-49.1%	31	48
10/9/2007	3/9/2009	-56.8%	17	37
2/19/2020	3/23/2020	-33.9%	1	6
Averages		-32.7%	12	21

The average bear market has lasted a year and then taken nearly two more years to break even, though some are longer, and some are shorter.

But there is another way to look at this. When those peaks were reached, no one knew for certain the market was going to fall 20% and subsequently become a bear market.

No one knew for sure that it was going to happen this time either but here we are.

The S&P500 officially entered a bear market (down 20% from its peak) on 13th June , so perhaps there are other questions to ask, like;- How much longer do markets continue to fall once stocks are already down 20%?

This is a look at how long it has taken for the market to reach the 20% 'Bear Market' threshold, and then how long it took to reach the bottom.

Peak	Trough	% Decline	Days to Down 20%	Days from Down 20% to Bottom
5/29/1946	10/9/1946	-26.6%	103	30
6/15/1948	6/13/1949	-20.6%	363	1
7/15/1957	10/22/1957	-20.7%	98	1
12/12/1961	6/26/1962	-28.0%	167	29
2/9/1966	10/7/1966	-22.2%	201	39
11/29/1968	5/26/1970	-36.1%	426	117
1/11/1973	10/3/1974	-48.2%	320	310
11/28/1980	8/12/1982	-27.1%	451	171
8/25/1987	12/4/1987	-33.5%	55	46
3/24/2000	10/9/2002	-49.1%	353	576
10/9/2007	3/9/2009	-56.8%	274	243
2/19/2020	3/23/2020	-33.9%	22	11
Averages		-32.7%	236	131

The good news is that it takes a lot longer from peak to 'down 20%' than from -20% to the bottom.

The 'best' bear markets since WW2 were the 1948-49 and 1957 downturns which lost 20% and immediately bottomed.

The good news is that 7 out of the last 12 bear markets have bottomed in 46 days or less once the 20% level was breached. And 5 out of the 12 were over in a month or less. The other side of the coin would be 1973-74, which took 10 months to bottom once the bear took hold. The 2000-2002 crash took nearly 19 months to reach a bottom, and the 2009 bottom was 8 months later.



Whilst I am writing this in November, 4 months after the S&P breached -20%, and just about at the 131day average for (-20% to trough), statistically at least, there should not be too much longer to go.

As always, it is easy to find historical data that makes you feel better or worse about the current situation.

One more statistic; -

We know it has taken an average of 21 months for the last 12 bear markets to break even from the bottom, but we don't know when the bottom will be reached this time.

The table shows how long has it taken to break even once stocks are down 20%?

Peak	Trough	% Decline	Breakeven from Down 20%
5/29/1946	10/9/1946	-26.6%	37
6/15/1948	6/13/1949	-20.6%	6
7/15/1957	10/22/1957	-20.7%	10
12/12/1961	6/26/1962	-28.0%	12
2/9/1966	10/7/1966	-22.2%	7
11/29/1968	5/26/1970	-36.1%	24
1/11/1973	10/3/1974	-48.2%	56
11/28/1980	8/12/1982	-27.1%	9
8/25/1987	12/4/1987	-33.5%	19
3/24/2000	10/9/2002	-49.1%	67
10/9/2007	3/9/2009	-56.8%	45
2/19/2020	3/23/2020	-33.9%	6
Averages		-32.7%	25

Now that means an average 25 months from June 2022 to make back losses.

However, this bear market could fall even further. The good news is that expected returns to simply breakeven from here are pretty good.

The S&P 500 is currently down 22% from all-time highs. This means the market would have to rise around 30% to breakeven.

If it took two years to make up the lost ground that would be annualized returns of 14%. If it took three years that would be 9% annual returns.

If we hit the average bear market of the past 80 years or so and end up down 33%, that would require a gain of around 50% to breakeven. The bigger the loss, the bigger the gain needed to make it back.



A 50% return in two years would be 22% per year. Over 3 years it would be 14% annualized. Even if it took four years, that's still 11% returns per year.

Not bad, right?

I don't know how much longer this bear market will last and I don't know how long it will take to get back to new all-time highs, but they will come at some point, and history tells us that turn-around in market fortunes can be very rapid indeed.