The 2018 Stock Market Correction and Recovery Process Resembles 2015’s

View from the Observation Deck

1. A stock market correction occurs when a benchmark index, such as the S&P 500 Index, posts a price decline of 10.00% to 19.99% from the most recent peak.
2. Since World War II, the S&P 500 Index has experienced a correction, on average, about every 18 months, while the median time between corrections is just one year, according to S&P Capital IQ.
3. The average time it takes the S&P 500 Index to fully recover its losses from a correction is four months, according to S&P Capital IQ.
4. As indicated in the charts, both the 2015 and 2018 corrections in the S&P 500 Index entailed initial 10% or more sell-offs followed by notable recovery attempts and then additional sell-offs.
5. While the correction in the S&P 500 Index in early 2018 had fully recovered by 8/24/18, another sell-off ensued after the index reached its all-time high of 2,930.75 on 9/20/18 (see top chart).
6. The combination of rising interest rates and bond yields, an escalation in the implementation of tariffs by the U.S. and China, next month’s midterm elections, debt concerns in Italy and the usual geopolitical strife has investors spooked for the time being, in our opinion. All things considered, we are still encouraged by the fundamentals underpinning the stock market and are optimistic about the prospects for stocks moving forward.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks (currently has 505) used to measure large-cap U.S. stock market performance.

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