The Current Stock Market Correction Is Behaving Like The Last One

S&P 500 Index Price Corrections
Current (12/29/2017-4/2/2018)

Previous Correction & Recovery (4/30/2015-7/29/2016)

View from the Observation Deck
1. A stock market correction occurs when a benchmark index, such as the S&P 500, sustains a price decline of 10% or more from the most recent peak. A bear market would entail a price decline of at least 20%.
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. So they happen fairly frequently.
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 charts, both the current and previous corrections in the S&P 500 Index have involved initial 10% or more sell-offs followed by notable recovery attempts and then additional sell-offs.
5. In the previous correction, it took five months to fully recover the losses sustained in the correction, just a month longer than the four month historical average.

Source: Bloomberg. Past performance is no guarantee of future results.

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. The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA and the Internal Revenue Code. First Trust has no knowledge of and has not been provided any information regarding any investor. Financial advisors must determine whether particular investments are appropriate for their clients. First Trust believes the financial advisor is a fiduciary, is capable of evaluating investment risks independently and is responsible for exercising independent judgment with respect to its retirement plan clients.