Market Commentary Blog

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Recessions and the S&P 500 Index

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		Before		After			
Recession Start	Recession End	6 Months	During Recession	1 Yr	3 Yrs	5 Yrs	10 Yrs
11/30/1948	10/31/1949	-8.99%	19.01%	35.06%	92.80%	177.83%	510.36%
7/31/1953	5/31/1954	-3.53%	22.94%	36.07%	83.74%	145.16%	295.53%
8/31/1957	4/30/1958	6.52%	-0.94%	37.23%	66.38%	89.85%	211.22%
4/30/1960	2/28/1961	-3.83%	19.74%	13.64%	35.15%	68.41%	112.23%
12/31/1969	11/30/1970	-4.14%	-1.92%	11.25%	20.58%	25.10%	146.56%
11/30/1973	3/31/1975	-7.63%	-7.80%	28.33%	22.08%	55.64%	253.47%
1/31/1980	7/31/1980	12.99%	9.58%	13.00%	56.07%	100.53%	344.64%
7/31/1981	11/30/1982	3.59%	14.23%	25.57%	66.79%	102.96%	350.21%
7/31/1990	3/31/1991	10.12%	7.94%	11.00%	29.79%	98.08%	284.21%
3/31/2001	11/30/2001	-18.75%	-0.91%	-16.51%	8.42%	34.29%	33.17%
12/31/2007	6/30/2009	-1.29%	-35.01%	14.42%	57.66%	136.88%	293.76%
2/29/2020	4/30/2020	1.91%	-1.12%	45.96%	50.11%	N/A	N/A
Average		-1.08%	3.81%	21.25%	49.13%	94.06%	257.76%
Median		-2.41%	3.52%	20.00%	53.09%	98.08%	284.21%

Source: First Trust, Bloomberg. As of 12/31/2024. **Past performance is no guarantee of future results.**

View from the Observation Deck

Since 2009, the U.S. economic climate has generally been one of persistent growth, with Gross Domestic Product (GDP) expanding in 58 of the last 62 quarters. In fact, the period between July 2009 and February 2020 marked the longest period of economic expansion in U.S. history. This recent, extended period of economic growth is unusual, however. As today's table shows, there were 12 recessions over the 75-year period ended December 2024 (or a recession every 6.25 years, on average). The "Great Recession", which spanned a period of 18 months from December 2007 to June 2009, was the last significant recession to strike the U.S. economy (excluding the brief recession brought on by COVID lockdowns in 2020). This piqued our curiosity. What can investors glean from previous recessions and how can they apply that knowledge? Today's table captures S&P 500 Index ("Index") total returns over several time frames in each of the past 12 U.S. recessions. We included the following periods: the 6-months prior to the onset of each recession; the recessionary period itself; and the one-year, three-year, five-year, and ten-year returns beginning with the end of each recessionary period.

Investors fared the worst over the six-month period prior to each recession, with subsequent time frames generally reflecting increasingly positive returns.

The median S&P 500 Index total returns over the time frames in the table are as follows:

- 6 Months before recession: -2.41%
- During recession: 3.52%
- 1-year post-recession: 20.00%
- 3-years post-recession: 53.09%
- 5-years post-recession: 98.08%
- 10-years post-recession: 284.21%

Over the past 11 recessions, the Index's maximum drawdown totaled 30.6% (price-only) on average.

While this data is not presented in the table, it is noteworthy. Declining revenue during recessionary periods often leads to contracting equity prices. That said, the table shows that those drawdowns are short-lived. Remarkably, the Index posted positive returns during six of 12 recessionary periods presented.

Time in the market, not timing.

From our perspective, one thing stands out when reviewing this data and while it may seem elementary, it is worth stating: time in the market is far more powerful than trying to time the market. As the table reveals, the Index surged by 20.00% and 53.09% (median total returns) over the one-year and three-year periods following the end of the last 12 U.S. recessions. For a longer perspective, the Index increased by an average of 11.85% annually (total return) over the period stretching from 11/30/1948 (the start of the first recession in the table) to 2/18/2025.

Takeaway

While recessions are notoriously difficult to predict, they are a normal and expected part of the business cycle. There were 12 recessions over the period captured in today's table. These recessions lasted 10.3 months, on average, and resulted in significant but temporary price fluctuations within the Index. Historically, these oscillations are short-lived, with eleven of the twelve time frames reflecting positive total returns in the year following the end of the recessionary period. The longer-term results prove even more compelling. The Index posted a positive total return in the three-years following the conclusion of each of the last 12 recessions. Median total returns are staggering. Those that remained invested enjoyed median total returns of 3.52%, 20.00%, and 53.09%, during, one-year following, and three-years following the past 12 recessions. We trust this information will serve as a guidepost when, not if, the next recession befalls the U.S. economy.