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Recessions and Returns for U.S. Stocks

1926 - 2008

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In December 2008, the National Bureau of Economic Research (NBER) announced that the U.S. economy was in a recession – and that this recession actually began a year earlier, in December 2007. While that announcement perhaps came as no surprise to many investors, it triggered some questions:

- Historically, how long have U.S. recessions tended to last?
- How have U.S. equities performed during and after those recessions?

According to Furey Research Partners, there have been 14 recessions and one depression in the United States between 1926 and 2006. Those recessions lasted, on average, 13 months. Returns for U.S. stocks (as measured by the S&P 500 Index) during those recessions averaged just 1.12%. But the average return for U.S. stocks in the 12 months *after* a recession was 27.52%. And the annualized returns five and 10 years after those recessions averaged 13.88% and 13.06%, respectively. See the table below.

Recession Start	Recession End	Months	Ann. Return During	Return 12 Months After	Ann. Return After 5 Years	Ann. Return After 10 Years
Oct. 1926	Nov. 1927	13	25.49%	39.46%	(10.21%)	2.40%
Aug. 1929	March 1933	44	(31.78%)	98.77%	17.42%	12.84%
May 1937	June 1938	13	(36.98%)	30.71%	7.97%	12.00%
Feb. 1945	Oct. 1945	8	37.62%	(3.73%)	11.98%	17.04%
Nov. 1948	Oct. 1949	11	0.76%	34.67%	26.08%	19.81%
July 1953	May 1954	10	27.51%	40.84%	22.29%	14.99%
Aug. 1957	April 1958	8	(13.98%)	36.44%	14.71%	11.50%
April 1960	Feb. 1961	10	17.94%	14.83%	15.50%	7.95%
Dec. 1969	Nov. 1970	11	(9.10%)	16.88%	6.60%	8.85%
Nov. 1973	March 1975	16	(15.25%)	27.20%	15.78%	13.67%
Jan. 1980	July 1980	6	18.36%	20.47%	19.52%	16.92%
July 1981	Nov. 1982	16	7.30%	27.91%	23.97%	16.35%
July 1990	March 1991	8	7.76%	15.97%	18.22%	15.44%
March 2001	Nov. 2001	8	(19.96%)	(15.11%)	4.50%	?
Average		**13**	**1.12%**	**27.52%**	**13.88%**	**13.06%**
Dec. 2007	Nov. 2008*	12	(38.09%)	?	?	?

Source: Furey Research Partners, National Bureau of Economic Research, Ibbotson, FactSet; as of 11/30/08.

** Indicates the last month for which data was available – not necessarily indicative of the end of the current recession.*

The stock market generally has been a leading indicator for the economy. Historically, stock prices have tended to rebound – sometimes sharply – well before clear evidence of improving economic conditions. While past performance is not a guarantee of future results, we firmly believe many of today's stock prices are a poor reflection of underlying business fundamentals and prices may rise when fear subsides and fundamentals improve.

The S&P 500 Index is an unmanaged, market capitalization weighted index that measures the equity performance of 500 leading companies in leading industries of the U.S. economy. Although the index focuses on the large cap segment of the market, with approximately 75% coverage of U.S. equities, it can also be a suitable proxy for the total market. This index includes dividends and distributions, but does not reflect fees, brokerage commissions, withholding taxes, or other expenses of investing. Please note that all indices are unmanaged and are not available for direct investment.

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