Important Lessons From the Bull Market's 10th Anniversary

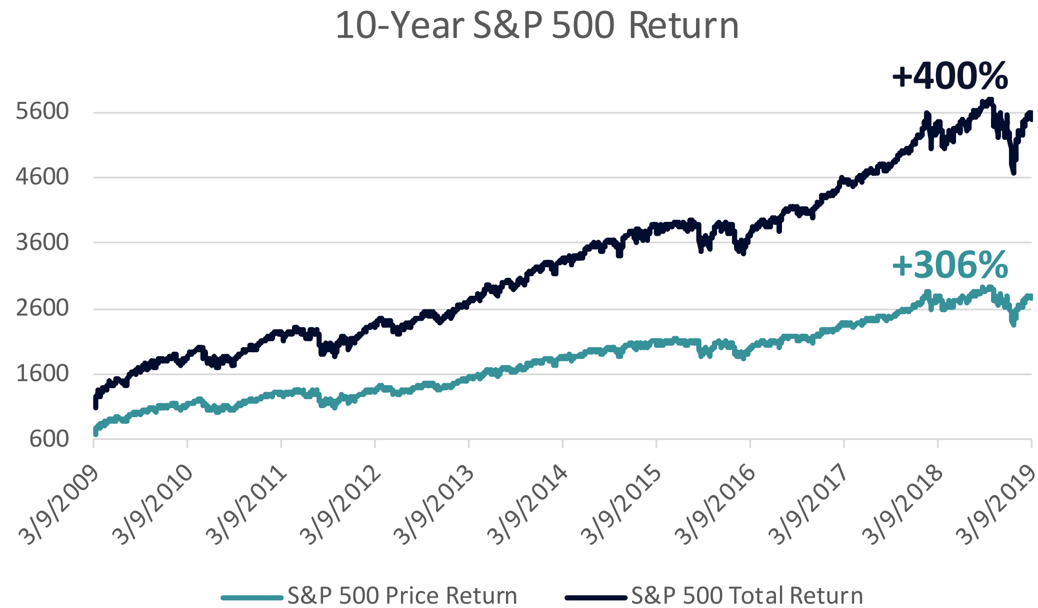
Global Financial Private Capital

Key Takeaways

- March 9, 2019 marked the 10-year anniversary of the S&P 500 beginning its climb from the bear-market lows of March 2009. The index has delivered a whopping 400% cumulative total return over the 10-year period, which is the longest bull market in history.
- For long-term equity investors, the most powerful factor is time in the market. Investors who weathered the storm and remembered that time in the market beats trying to time the market have enjoyed healthy gains due to their patience.
- Though the S&P 500's 10-year annual return from March 2009 to March 2019 was 17.5%, it certainly was not a smooth ride. The bull market was unpredictable, with many fits and starts during the period, as is the normal course of investing. Investors should remain focused on their long-term goals and avoid being derailed by market headlines.

Happy 10-Year Anniversary

Many of us would like to forget the state of the markets in March 2009. The Great Recession brought on by the housing and credit crisis wa s in full meltdown. A new administration had entered the White House. Large financial institutions (e.g., Lehman Brothers) had collapsed, while others (e.g., Bear Stearns) required unprecedented bailouts from the government. Facebook was still a private company at this point. Investors' 401(k) and retirement accounts saw deep losses. It seemed this crisis was like none other with no end in sight. The Great Recession was indeed one of historical proportions, and many investors were prompted to exit and cash out of the market. However, history has taught us that all things pass in due time. This past Saturday, March 9, the markets celebrated the 10th anniversary of the bull market from the lows of March 2009. On March 9, 2009, the S&P 500 price index closed at 677. In the years since, the S&P 500 has rallied a whopping 306%, not including dividends, and 400% if we include dividends. To tally that up, the S&P 500 has delivered a 10-year annualized total return of 17.5%.



Source: Bloomberg.

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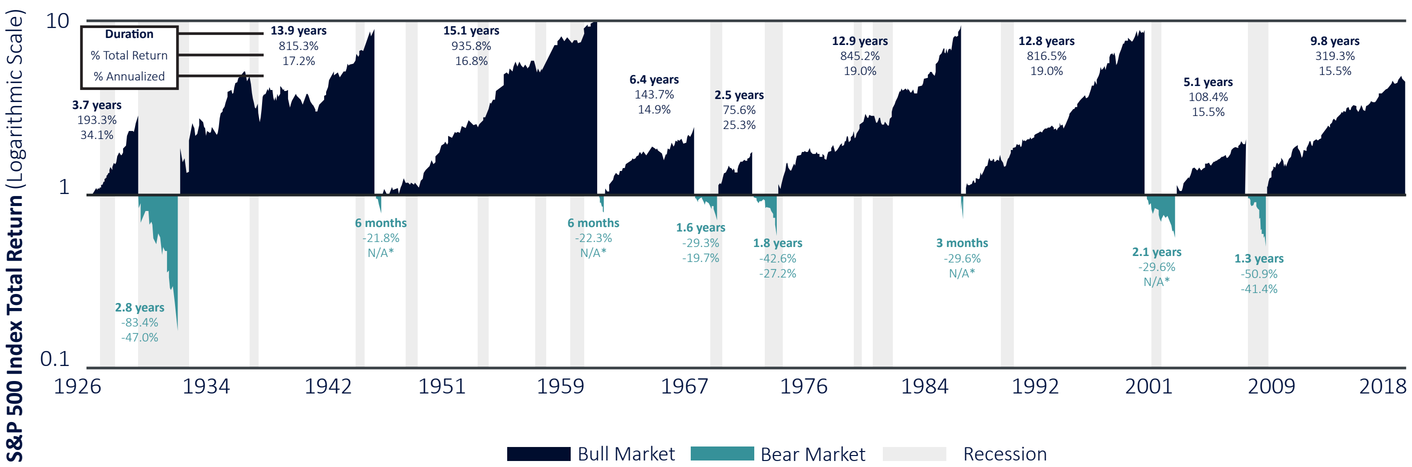
The importance of staying invested

Investors who weathered the storm and remembered that time in the market beats timing the market were rewarded by their patience over the past 10 years. In fact, looking at a broader time-period paints a similar picture: Looking at the history of the bull and bear markets from 1926 through 2018 shows that the average bull market period lasted 9.1 years with an average cumulative total return of 473%, while the average bear market period lasted 1.4 years with an average cumulative loss of -41%. For long-term equity investors, the most powerful factor is time. An investor's time horizon is directly correlated with the likelihood that a portfolio will experience a positive return. When emotions and investing cross paths, it can lead to costly decisions in the long run.



Source: First Trust Advisors L.P., Morning Star. Returns from 1926- 12/31/18. *Not applicable since duration is less than one year.

These results are based on monthly returns - returns using different periods would produce different results. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. This chart is for illustrative purposes only and not indicative of any actual investment. These returns were the result of certain market factors and events which may not be repeated in the future. Past performance is no guarantee of future results. 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 International 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.

Don't let headlines derail your plans

Since the start of the Great Recession in January 2008, market returns have not exactly been smooth. Investors have faced several significant crises and an onslaught of negative headlines detailing natural disasters, changes in political leadership, significant actions from global banks, and tariffs and the ensuing trade wars. Whether justified or not, investors typically pay more attention and react more strongly to negative headlines compared with their reaction to good news. Although past performance in no guarantee of future results, it's important that investors understand the resilience of the markets despite the ominous headlines and the maintain their belief in the benefits of investing for the long-term.

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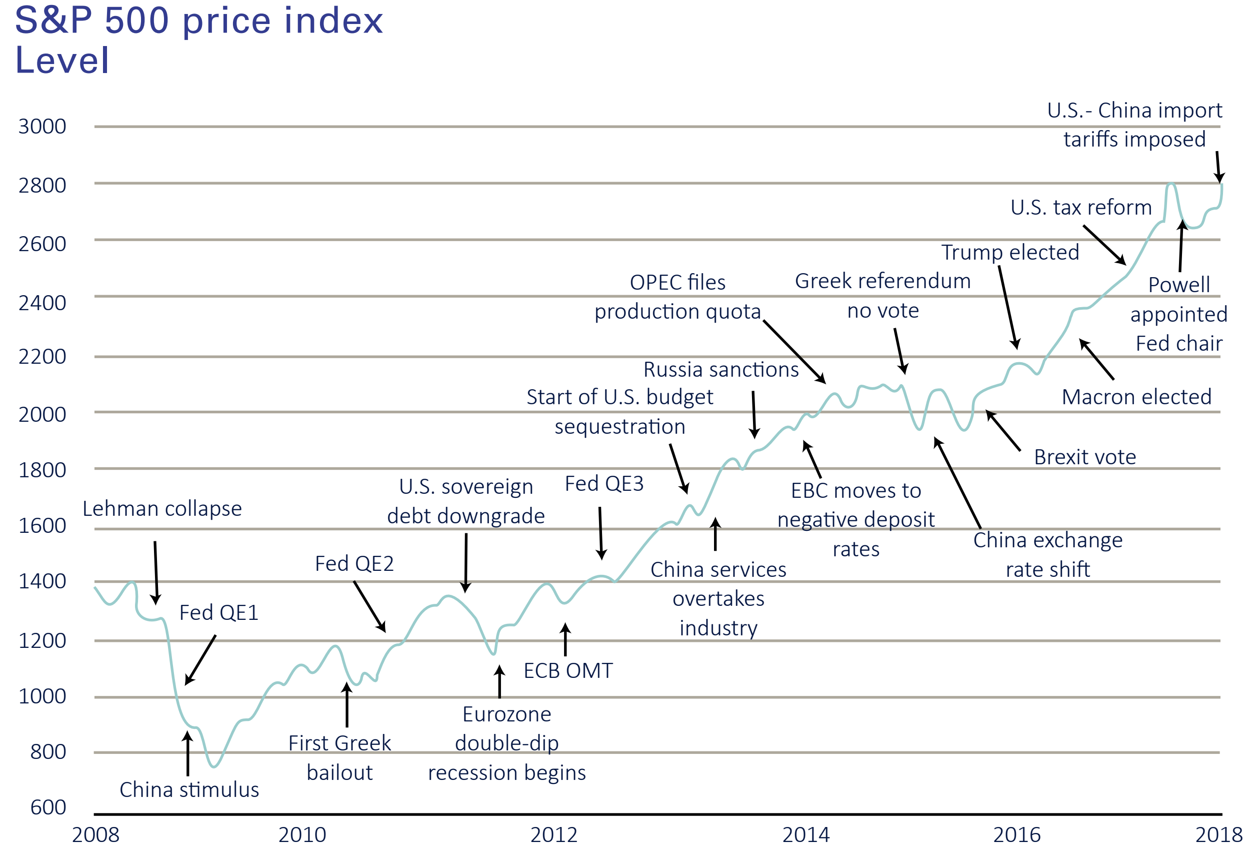

Source: MarketWatch, Bank of America.

Disclosures

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