It's Possible to Profit From Patience

T. Rowe Price

It's nearly impossible to time the market and identify its peaks and troughs. If history is any guide, short-term drops in the stock market are typically followed by longer-term rallies.

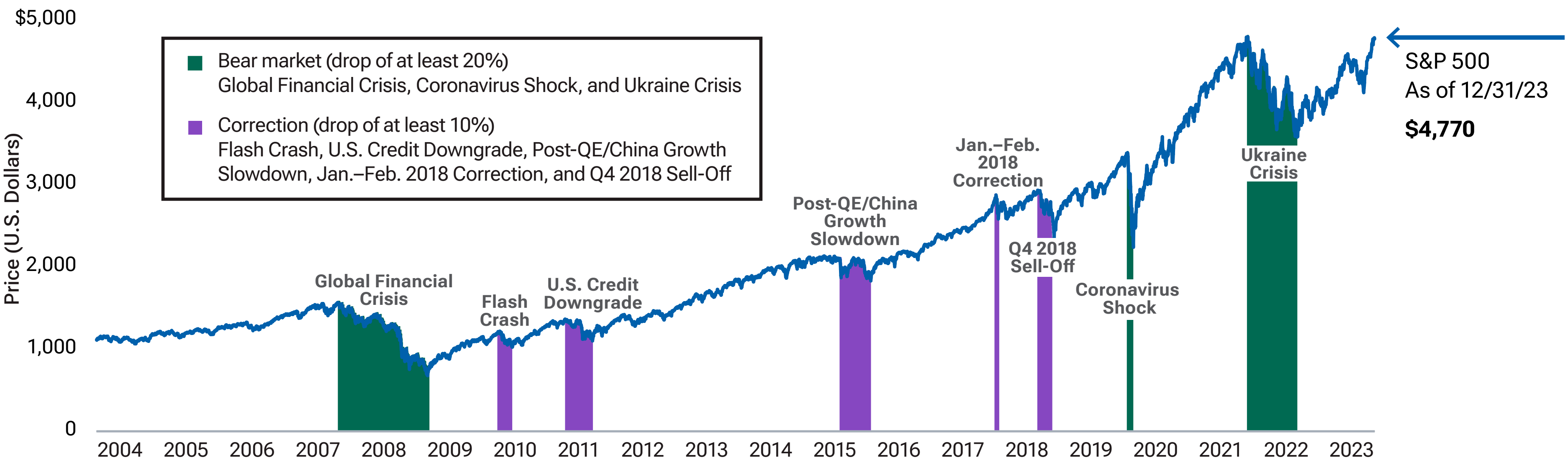
Stay invested for market recoveries

The graph below shows that after market **corrections** (defined as a drop of at least 10%), the stock market typically recovered lost ground after three to six months. For two of the four **bear markets** (defined as a drop of at least 20%), stocks were back to their prior levels within four to five years. In 2020, the coronavirus shock lasted even shorter than other bear markets, and stocks returned to prior levels within five months.

RECENT BEAR MARKETS AND CORRECTIONS

Occurring between January 2004 and December 2023

Following a drop of at least 10%, the stock market has historically recovered within three to six months. After a drop of at least 20%, which indicates a bear market, recovery occurred within four to five years.



QE = quantitative easing.

Reflects an investment of $1,000 on December 31, 1991. There were no corrections or bear markets between 1991 and 1999. This graph does not show the bear market of the tech bubble crash (2000–2002) or correction period pre-Iraq war (2002–2003). Drop is based on the percentage drop from the highest market index value just prior to the correction to the lowest market index value. Recovery is defined as the length of time for the market to return to the previous highest market index value, rounded to the nearest number of months.

Sources: T. Rowe Price and S&P. See Additional Disclosures.

RECENT BEAR MARKETS (■ GLOBAL FINANCIAL CRISIS, CORONAVIRUS SHOCK, AND UKRAINE CRISIS) AND CORRECTIONS (■ ALL OTHER EVENTS)

Occurring between January 2004 and December 2023

					% Cumulative Gain After Trough		
Event	**Date**	**Duration**	**% Drop**	**Recovery**	**1 Year**	**3 Years**	**5 Years**
■ **Global Financial Crisis**	10/9/07–3/5/09	1.5 years	**-56.39**	4 years	66.83	99.89	174.53
■ Flash Crash	4/15/10–7/2/10	2.5 months	-15.61	4 months	30.83	57.84	103.09
■ U.S. Credit Downgrade	4/29/11–10/3/11	5 months	-19.39	3 months	32.00	79.03	96.61
■ Post-QE/China Growth Slowdown	8/10/15–2/11/16	6 months	-13.07	4 months	27.29	48.15	114.12
■ Jan.–Feb. 2018 Correction	1/26/18–2/8/18	0.5 months	-10.16	6.5 months	4.92	51.71	N/A
■ Q4 2018 Sell-Off	9/20/18–12/24/18	2 months	-19.78	4 months	37.10	101.00	N/A
■ **Coronavirus Shock**	2/19/20–3/23/20	1 month	**-33.93**	5 months	74.78	N/A	N/A
■ **Ukraine Crisis**	1/3/22–10/12/22	9 months	**-25.43**	9 months	N/A	N/A	N/A

Drop is based on the percentage drop from the highest market index value just prior to the correction to the lowest market index value. Recovery is defined as the length of time for the market to return to the previous highest market index value, rounded to the nearest number of months.

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Don’t let volatility change your plan

Market volatility is a given. Short-term downturns can be disconcerting, and they may heighten anxiety among some investors. If the stock market’s historical trends hold true, a patient investor who outlasts short-term volatility can benefit over the long term.

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