

ideas for investors

Investing through recessions

Investors may be feeling anxious amid news that the economy is in a recession, but a look at the past 10 downturns suggests there has been reason to stay the course.

S&P 500 total returns after recession lows				
S&P 500 low date during recession*	S&P 500 gain/loss after			
	3 months	6 months	9 months	12 months
June 13, 1949	18.17%	27.77%	33.62%	52.74%
September 14, 1953	10.53	21.07	31.52	45.46
October 22, 1957	6.91	12.03	22.72	36.30
October 25, 1960	16.80	26.96	27.76	34.83
May 26, 1970	18.41	25.26	43.99	48.96
October 3, 1974	15.08	34.15	56.89	44.43
March 27, 1980	19.80	32.20	44.62	44.30
August 12, 1982	38.14	47.93	66.43	66.11
October 11, 1990	7.73	30.05	30.93	33.55
September 21, 2001	18.95	20.30	3.51	-11.17
Mean	17.05	27.77	36.20	39.55
Median	16.80	27.77	33.62	44.30

* As defined by the National Bureau of Economic Research (NBER). These results assume that dividends were reinvested.

- Focusing on long-term investment goals can be especially important during market downturns. As this chart shows, the market has tended to bounce back quickly after bottoming out during the past 10 recessions. The chart is based on total returns of Standard & Poor's 500 Composite Index, a broad measure of the stock market. The index generated a 28% mean total return six months after bottoming and 40% a year later. The problem is, no one can predict a market bottom. But investors who maintained a long-term perspective and held on to their investments were in a position to participate when the market turned positive. While the past can provide historical perspective, it is not predictive of future results.
- Investors who sold stock mutual funds to avoid the pain of a recession and reinvested later could have missed most of the subsequent recovery. The S&P 500 rose 17% on average three months after recession low points.
- Although they feel like turbulent times, recessions can represent a buying opportunity for investors who stick to a program of investing regularly. Of course, there's no guarantee the market will turn around soon after a recession. But by staying the course and focusing on long-term goals, investors can be well-positioned to participate in a market recovery.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so investors may lose money. Equity investments are subject to market fluctuations. Investors should carefully consider the investment objectives, risks, charges and expenses of the American Funds. This and other important information is contained in each fund's prospectus, which can be obtained from your financial professional and should be read carefully before investing.