Market Insights

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RICHARDSON Wealth

Latest commentary from the Action Desk

Staying the course amid market volatility

Equity markets have entered a period of heightened turmoil. The Nasdaq officially entered bear market territory last week (-20% off recent high), and both the S&P 500 and S&P/TSX indexes slipped into correction territory (-10% off recent high), with the S&P 500 not far behind the Nasdaq's lead and nearing a bear market. While these headline moves can be unsettling, it's important to understand what's driving them, and how we are navigating through the noise.

Markets are recoiling for several reasons. They are declining in response to growing concerns that newly proposed tariffs could weigh on global economic growth and, by extension, corporate earnings and broader fundamentals. Markets are not only reacting to data, but they are also reacting to sentiment, soundbites, and speculation amid escalating U.S. policy rhetoric. Much remains uncertain, including the extent to which President Trump will follow through on his policies, and how far other countries are willing to go in response. We cannot say with certainty the extent to which Trump will follow through on his tariff threats, as negotiations are ongoing and it's entirely possible that what we're seeing now is more posturing than policy.

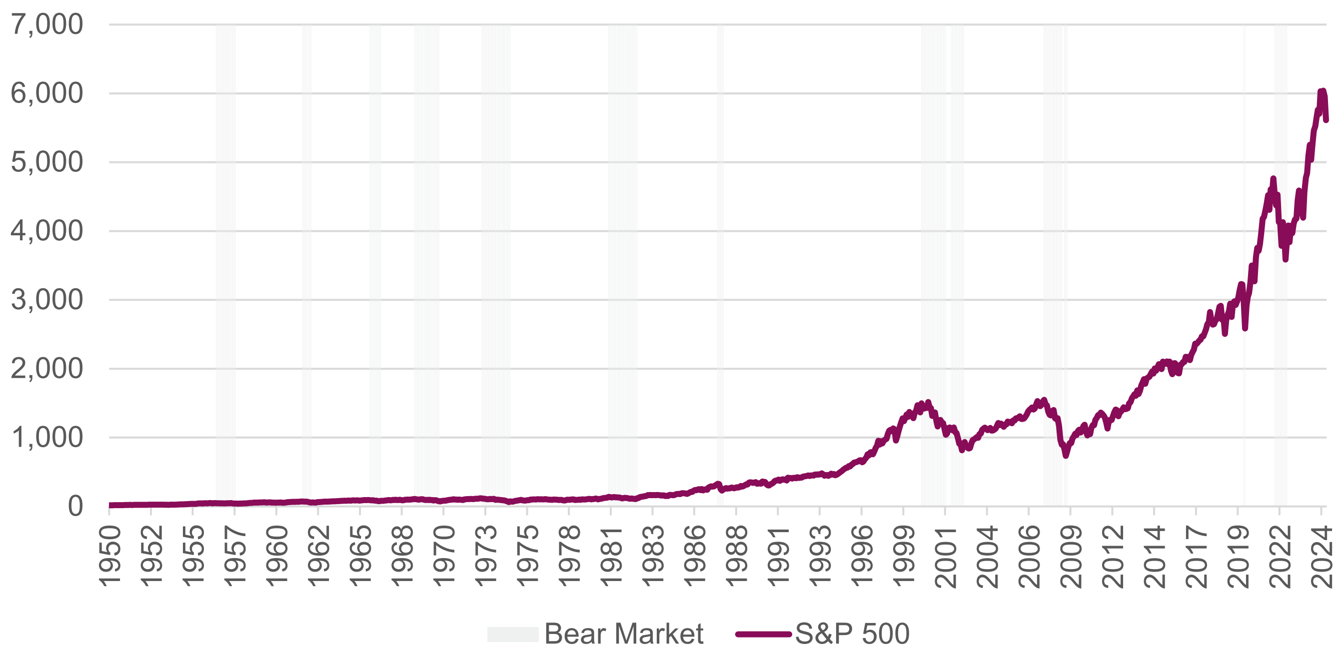
This environment reinforces the importance of disciplined investing and the value of a thoughtful strategy. Earlier this year, we expressed concerns about rising volatility and proactively took steps to reduce the portfolio's overall sensitivity to market movements, i.e. reduced portfolio beta by adding to a market neutral strategy. At the same time, we trimmed U.S. dollar exposure when the dollar had rallied to its 2020 pandemic "panic" highs, and selectively added to our U.S. bond position that we viewed were oversold and owing to our more defensive posture. These measures were designed not just for the moment, but for times like these, and they remain highly relevant.

For clients who have the ability to tolerate short-term volatility, this may be an opportunity to gradually redeploy excess cash. Historically, of the 25 market corrections (defined as -10% decline from peak) in the S&P 500 since 2000, 16 were followed by strong positive returns, averaging 22.9% over the subsequent year. The eight times the market dropped one year after a correction, the index declined on average -17.2%.

Taking a closer look at historical market performance following a bear market, defined as a decline of -20% or more from a recent market high (see table/charts below), since 1950 there have been 13 bear markets. This makes them not as rare as one would think, occurring roughly every 5 to 6 years on average. The typical duration of a bear market has been about 11 months, with an average decline of approximately -32.8%. What's most important, however, is what tends to happen after a bear market ends. While past performance is no guarantee, history reminds us that markets often recover, and those recoveries tend to happen when sentiment is at its lowest. What we do know is that very few individuals can accurately predict the market bottom and staying invested through volatility has historically been a sound long-term strategy. Missing the initial rebound that often follows a bear market can significantly reduce long-term returns.

Now is a time for patience, discipline, and perspective. We're continuing to monitor developments closely, and as always, we are here to help you navigate through whatever comes next.

S&P 500: Bear Markets Since 1950



Start	End	Dur (Mos)	% During Bear	Post Bear Market Performance			
				1 month	3 Months	6 Months	1 Year
02-Aug-1956	22-Oct-1957	14.9	-21.6%	3.8%	6.1%	9.6%	31.0%
12-Dec-1961	26-Jun-1962	6.5	-28.0%	8.5%	8.2%	19.7%	32.7%
09-Feb-1966	07-Oct-1966	8.0	-22.2%	10.4%	11.5%	22.7%	32.9%
29-Nov-1968	26-May-1970	18.1	-36.1%	6.8%	16.9%	20.8%	43.7%
11-Jan-1973	03-Oct-1974	21.0	-48.2%	18.6%	10.1%	32.7%	38.0%
28-Nov-1980	12-Aug-1982	20.7	-27.1%	18.1%	37.8%	42.3%	58.3%
25-Aug-1987	04-Dec-1987	3.4	-33.5%	10.3%	19.6%	19.1%	21.4%
24-Mar-2000	21-Sep-2001	18.2	-36.8%	11.1%	18.0%	19.3%	-12.5%
04-Jan-2002	09-Oct-2002	9.3	-33.8%	15.2%	18.8%	13.3%	33.7%
09-Oct-2007	20-Nov-2008	13.6	-51.9%	18.0%	4.8%	20.7%	45.0%
06-Jan-2009	09-Mar-2009	2.1	-27.6%	22.0%	39.0%	50.2%	68.6%
19-Feb-2020	23-Mar-2020	1.1	-33.9%	25.1%	38.5%	48.4%	74.8%
03-Jan-2022	12-Oct-2022	9.4	-25.4%	11.6%	9.6%	14.9%	21.6%
		Average	-32.8%	13.8%	18.4%	25.7%	37.6%
		Median	-33.5%	11.6%	16.9%	20.7%	33.7%
		High	-21.6%	25.1%	39.0%	50.2%	74.8%
		Low	-51.9%	3.8%	4.8%	9.6%	-12.5%
		% Positive	0.0%	100.0%	100.0%	100.0%	92.3%
		% Negative	100.0%	0.0%	0.0%	0.0%	7.7%
		Std Dev	9.2%	6.2%	12.4%	13.4%	22.4%

Source: Bloomberg. As at March 31, 2025. Monthly price returns.

Source: Charts are sourced to Bloomberg L.P., and Richardson Wealth unless otherwise noted.

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