DIMENSIONAL FUND ADVISORS

Market Returns Through a Century of Recessions

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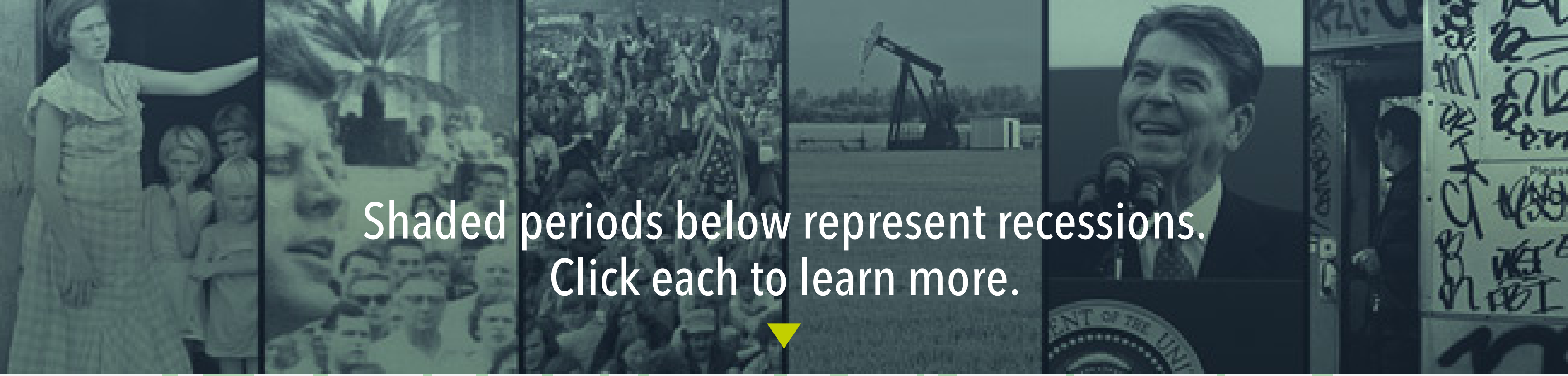
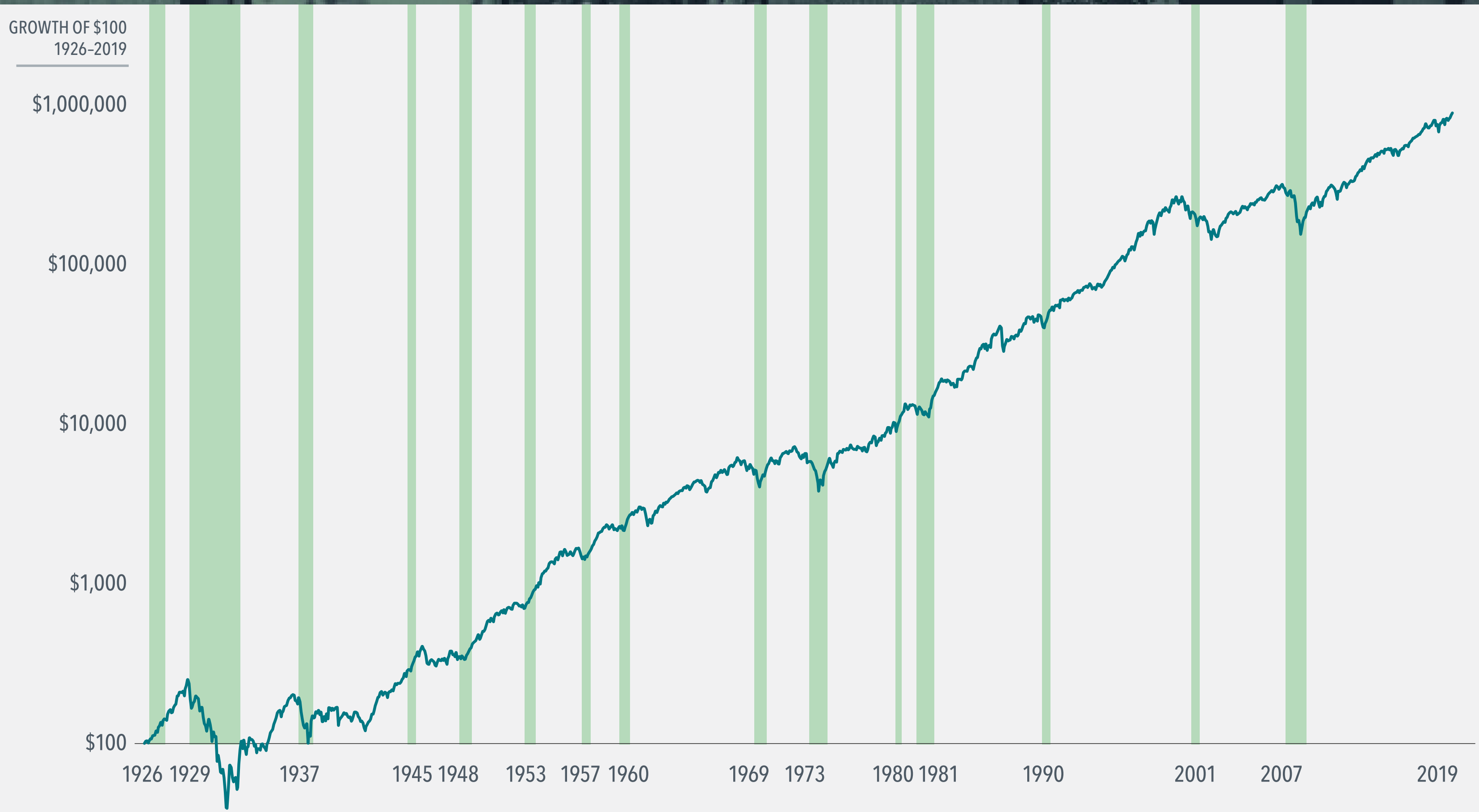
Market Returns Through a Century of Recessions

What does a century of economic cycles teach investors about investing? Our interactive exhibit examines how stocks have behaved during US economic downturns. Markets around the world have often rewarded investors even when economic activity has slowed. This is an important lesson on the forward-looking nature of markets, highlighting how current market prices reflect market participants' collective expectations for the future.



Shaded periods below represent recessions.
Click each to learn more.

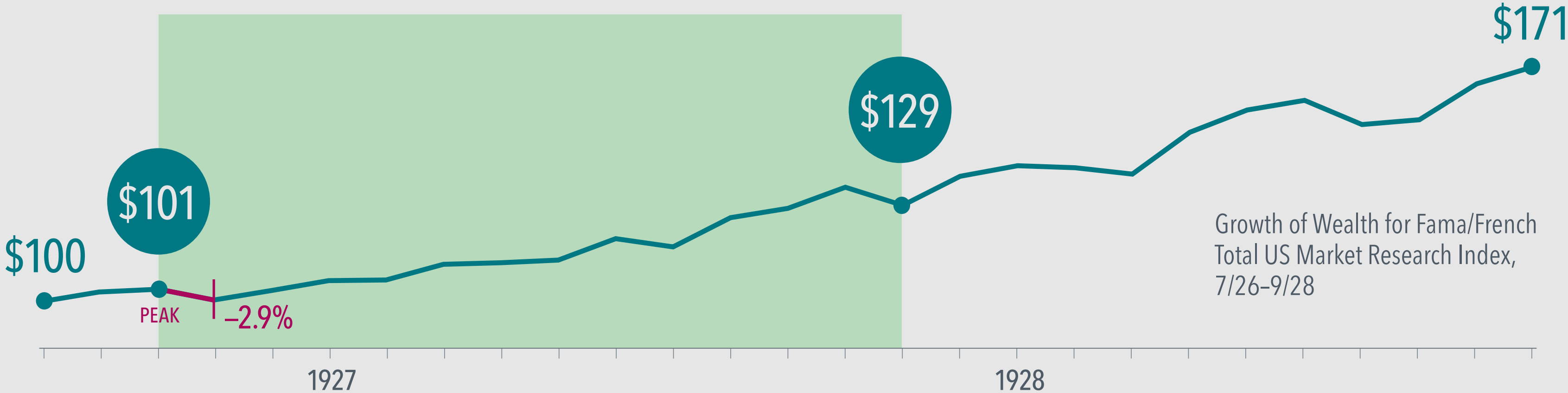


1926–1927

A few years before the Depression, the US experienced a mild, yearlong recession accompanied by a minor bout of deflation. The stock market slipped 2.9% in the first month of the downturn.

RECESSION		
Duration (Months)	Industrial Production	Inflation
13	–6.0%	–1.1%

MARKET DOWNTURN	
Duration (Months)	Return from Peak
1	–2.9%



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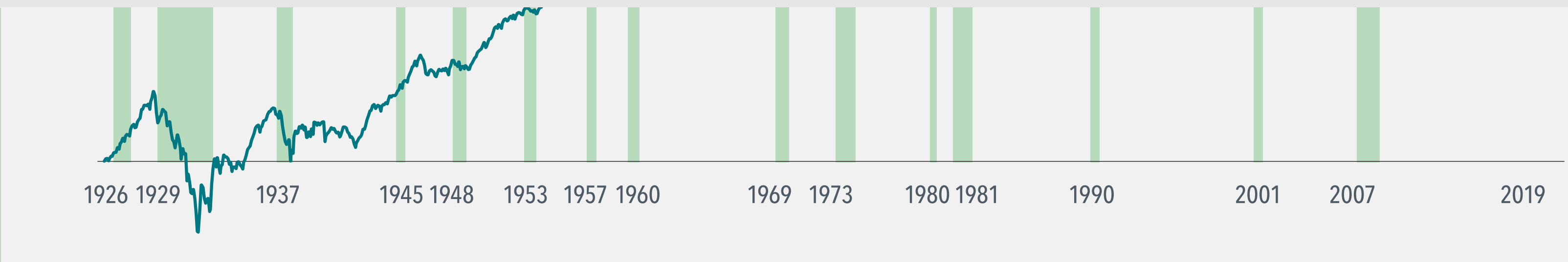
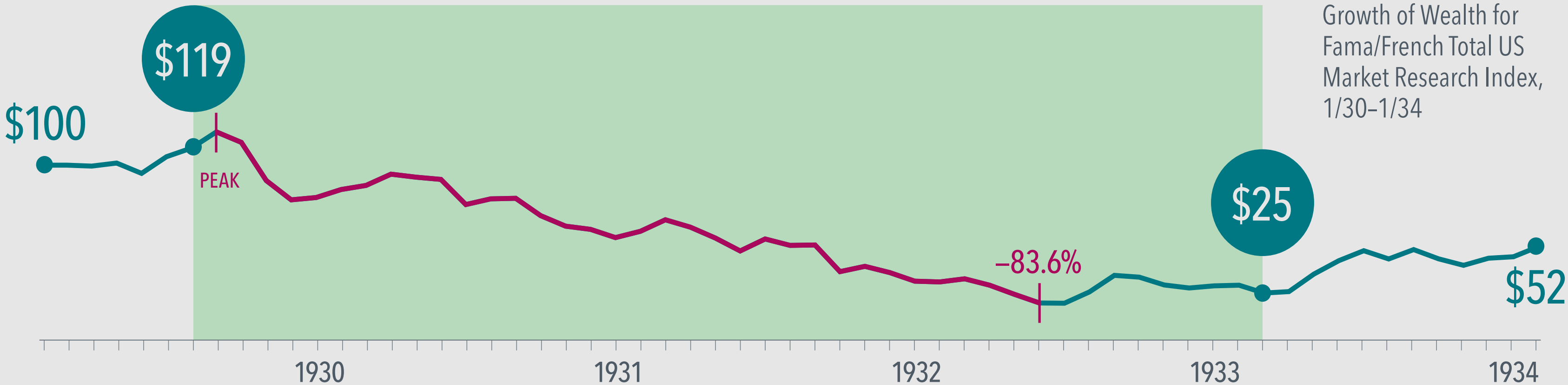


Great Depression

The Depression decimated the US economy—unemployment climbed to 25.2%, and industrial production plunged 48.6%. Before the collapse ended, stocks collectively lost 83.6% in a 33-month market downturn.

RECESSION				MARKET DOWNTURN	
Duration (Months)	Industrial Production	Inflation	Max Unemployment	Duration (Months)	Return from Peak
43	–48.6%	–26.6%	25.2%	33	–83.6%



Growth of Wealth for Fama/French Total US Market Research Index, 1/30–1/34

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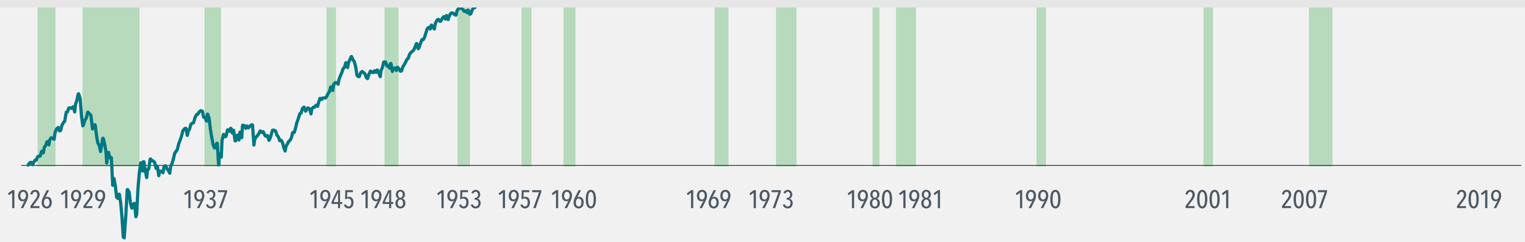
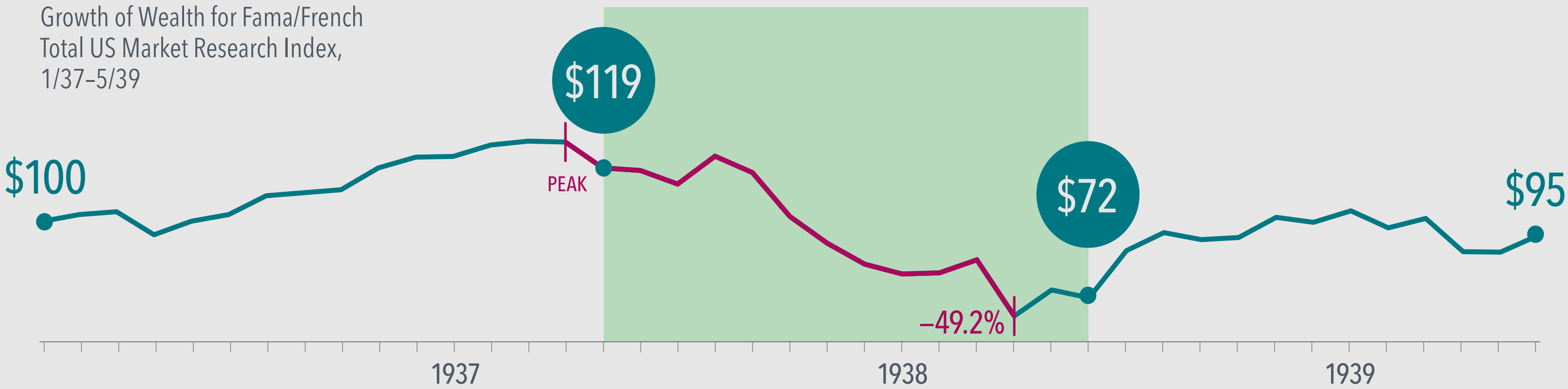


1937–1938

A sharp, 13-month recession—marked by high unemployment and a big dip in industrial production—occurred in the midst of the nation's recovery from the Depression. Stock market investors suffered a 49.2% loss.

RECESSION				MARKET DOWNTURN	
Duration (Months)	Industrial Production	Inflation	Max Unemployment	Duration (Months)	Return from Peak
13	–32.5%	–2.1%	19.7%	12	–49.2%

Growth of Wealth for Fama/French Total US Market Research Index, 1/37–5/39



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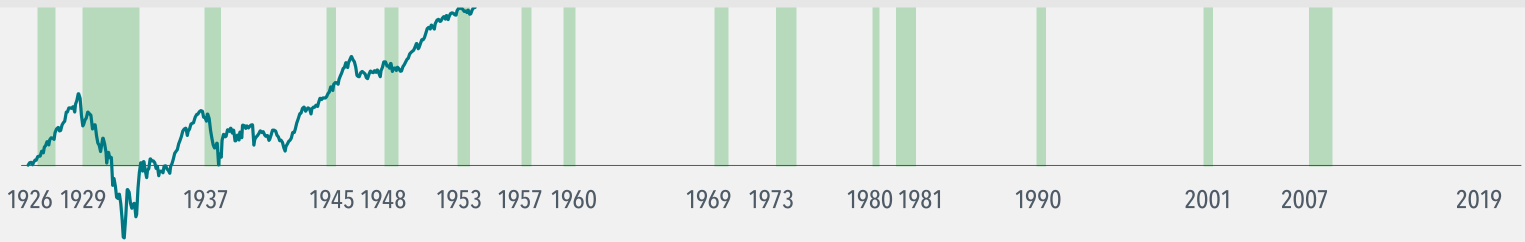
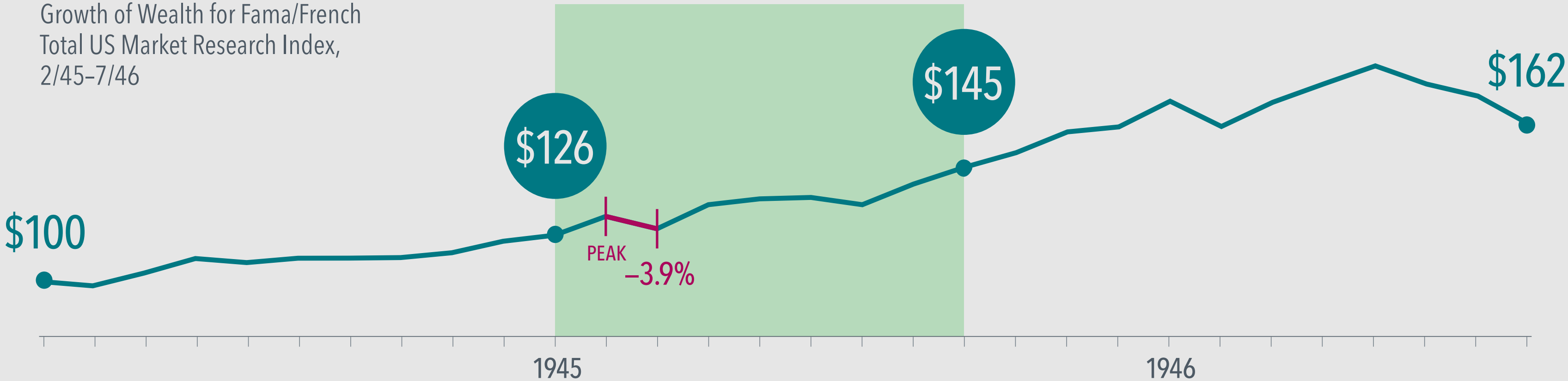


World War II Recession

Industrial production plunged 26% during the eight-month recession near the end of World War II. But the stock market dipped only 3.9% early in the recession before rebounding.

RECESSION				MARKET DOWNTURN	
Duration (Months)	Industrial Production	Inflation	Max Unemployment	Duration (Months)	Return from Peak
8	–26.0%	1.7%	3.4%	1	–3.9%

Growth of Wealth for Fama/French Total US Market Research Index, 2/45–7/46



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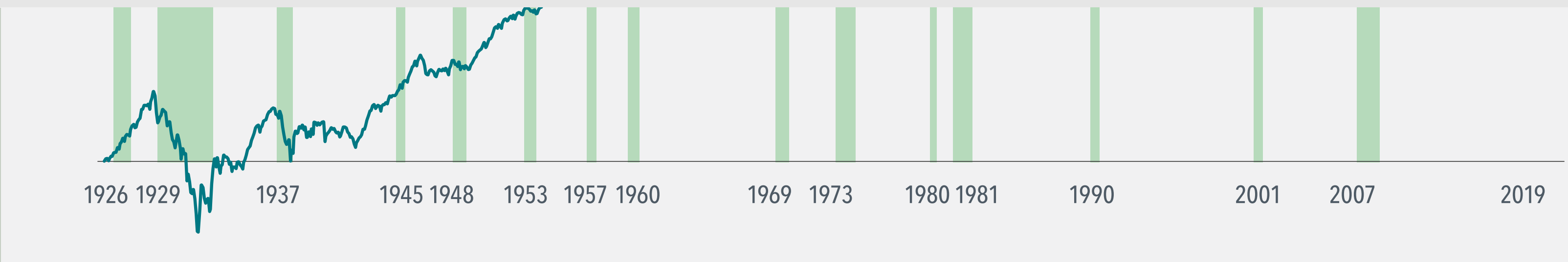
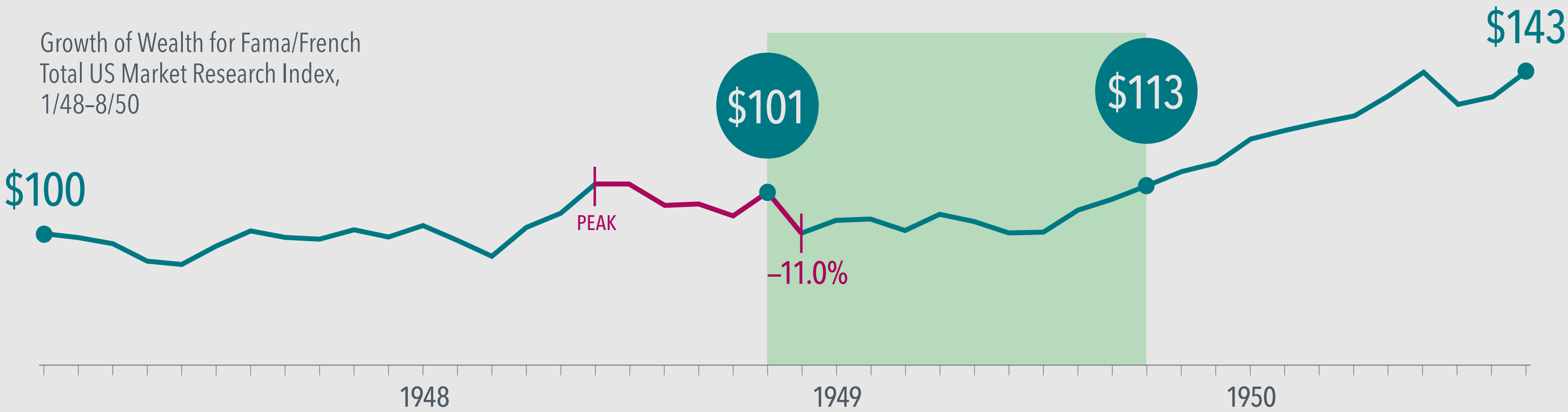


1948–1949

A modest stock market slide (–11.0%) began five months before this relatively small economic downturn that occurred a few years after the war.

RECESSION					MARKET DOWNTURN	
Duration (Months)	Industrial Production	Inflation	Max Unemployment	Change in GDP	Duration (Months)	Return from Peak
11	–5.0%	–1.2%	6.8%	–1.5%	6	–11.0%



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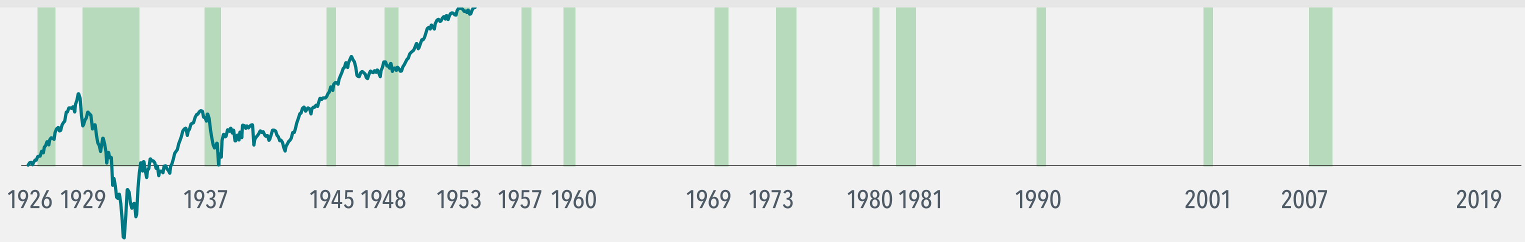
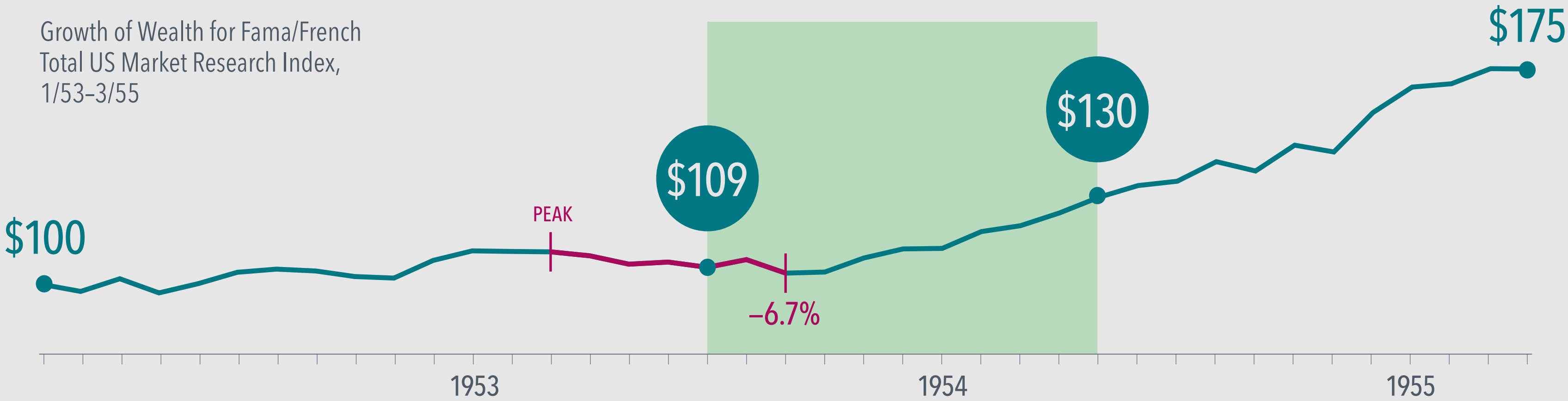


1953–1954

The Korean Armistice was signed in the summer of 1953. A stock market slump that had begun in March was over by August, but the recession continued until early 1954.

RECESSION					MARKET DOWNTURN	
Duration (Months)	Industrial Production	Inflation	Max Unemployment	Change in GDP	Duration (Months)	Return from Peak
10	–9.5%	0.0%	5.9%	–2.4%	6	–6.7%

Growth of Wealth for Fama/French Total US Market Research Index, 1/53–3/55



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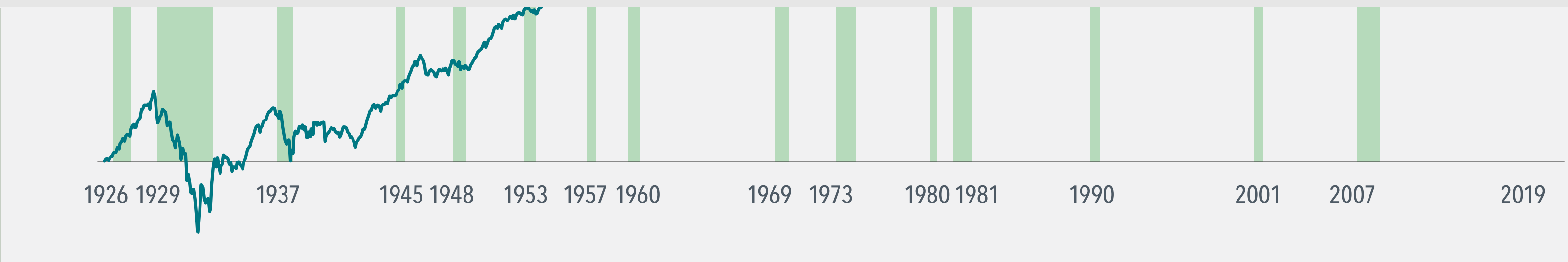
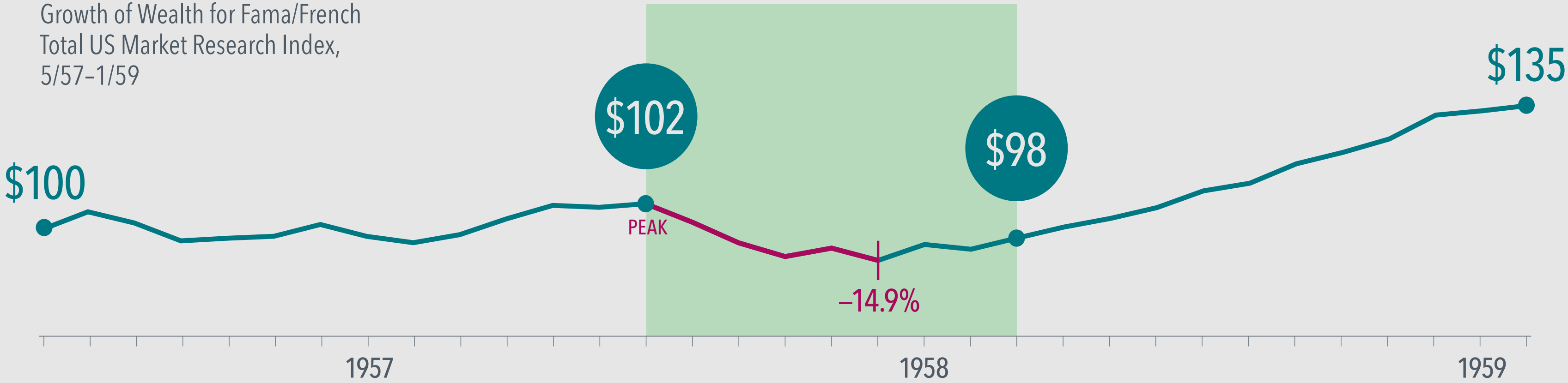


1957–1958

A huge drop in industrial production (–11.3%) and a contraction in GDP (–3%) interrupted the 1950s boom. Stocks retrenched 14.9% in the midst of a decade-long climb.

RECESSION					MARKET DOWNTURN	
Duration (Months)	Industrial Production	Inflation	Max Unemployment	Change in GDP	Duration (Months)	Return from Peak
8	–11.3%	1.8%	6.7%	–3.0%	5	–14.9%

Growth of Wealth for Fama/French Total US Market Research Index, 5/57–1/59



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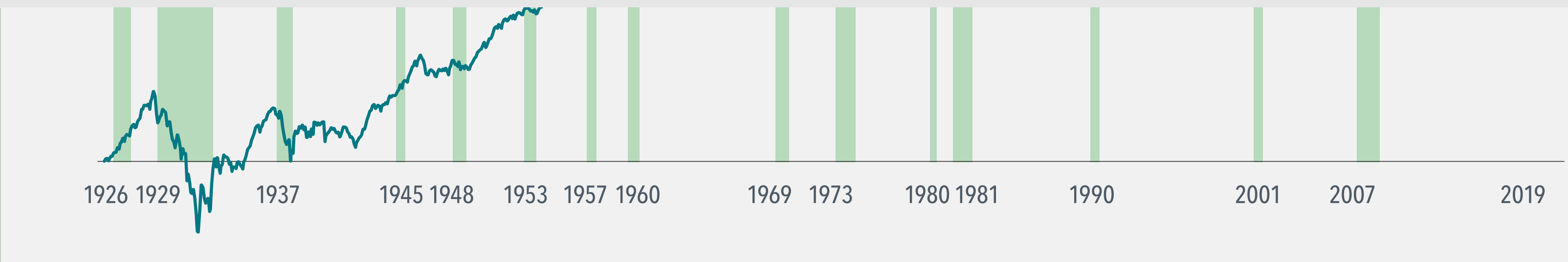
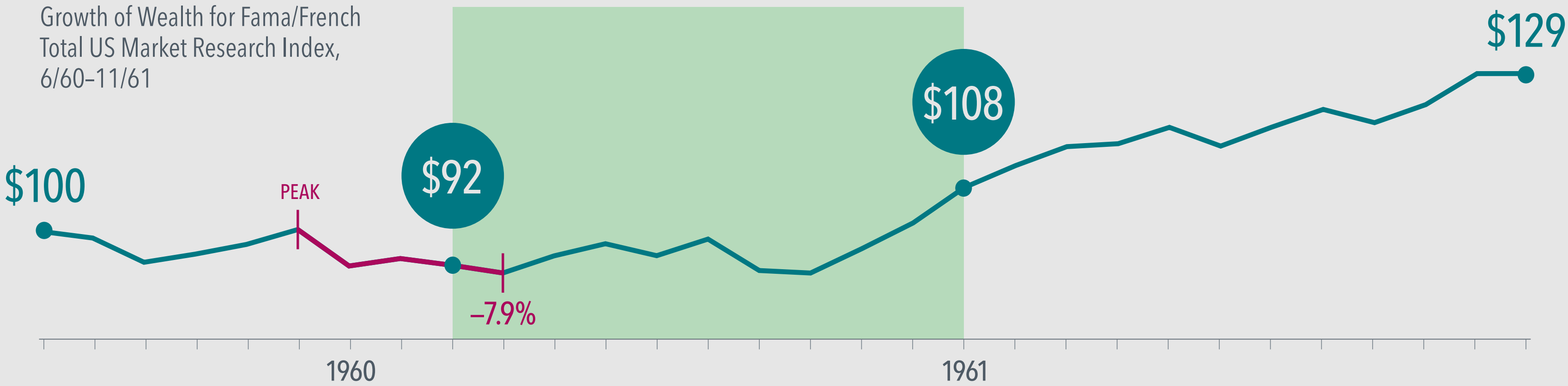


1960–1961

This four-month pause followed the previous decade's bull market. In the election year of 1960, unemployment rose to 6.6%, and the stock market dropped 7.9%.

RECESSION					MARKET DOWNTURN	
Duration (Months)	Industrial Production	Inflation	Max Unemployment	Change in GDP	Duration (Months)	Return from Peak
10	–6.1%	1.0%	6.6%	0.1%	4	–7.9%

Growth of Wealth for Fama/French Total US Market Research Index, 6/60–11/61



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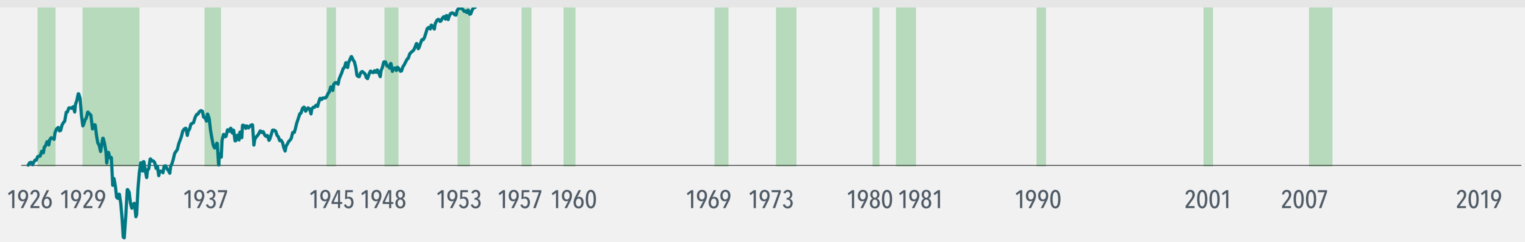
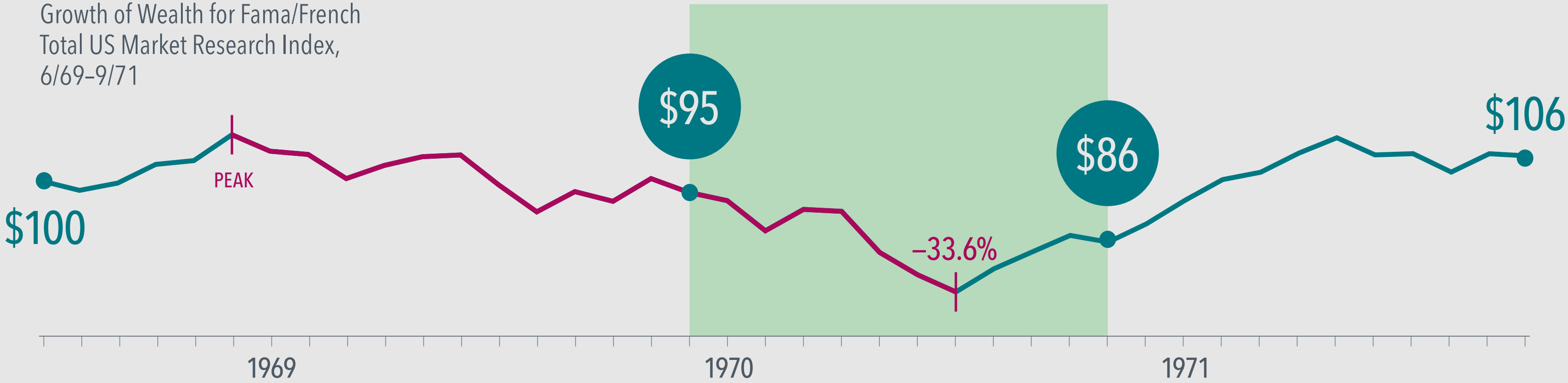


1969–1970

High inflation and a big jump in unemployment punctuated the 11-month recession that began in December 1969. A volatile stock market eventually lost 33.6% over 19 months.

RECESSION					MARKET DOWNTURN	
Duration (Months)	Industrial Production	Inflation	Max Unemployment	Change in GDP	Duration (Months)	Return from Peak
11	–5.3%	4.5%	5.5%	–0.2%	19	–33.6%

Growth of Wealth for Fama/French Total US Market Research Index, 6/69–9/71



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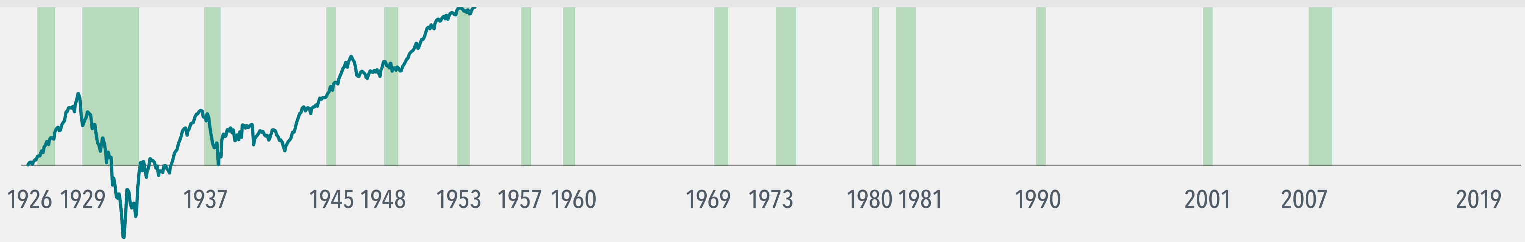
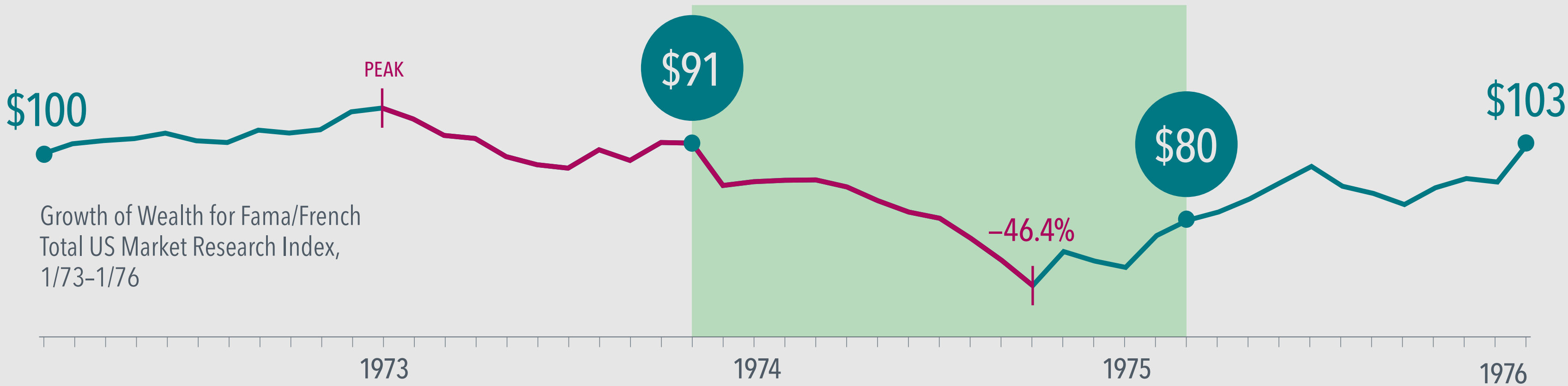


Oil Crisis

Inflation hit double digits during the 1973–75 recession. The stock market lost nearly half its value in the first 11 months of the 16-month economic downturn.

RECESSION					MARKET DOWNTURN	
Duration (Months)	Industrial Production	Inflation	Max Unemployment	Change in GDP	Duration (Months)	Return from Peak
16	–12.0%	14.4%	8.1%	–3.1%	21	–46.4%



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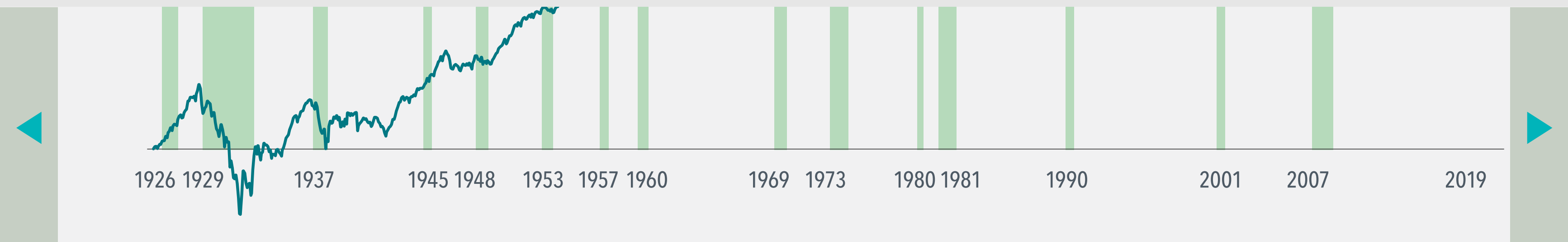
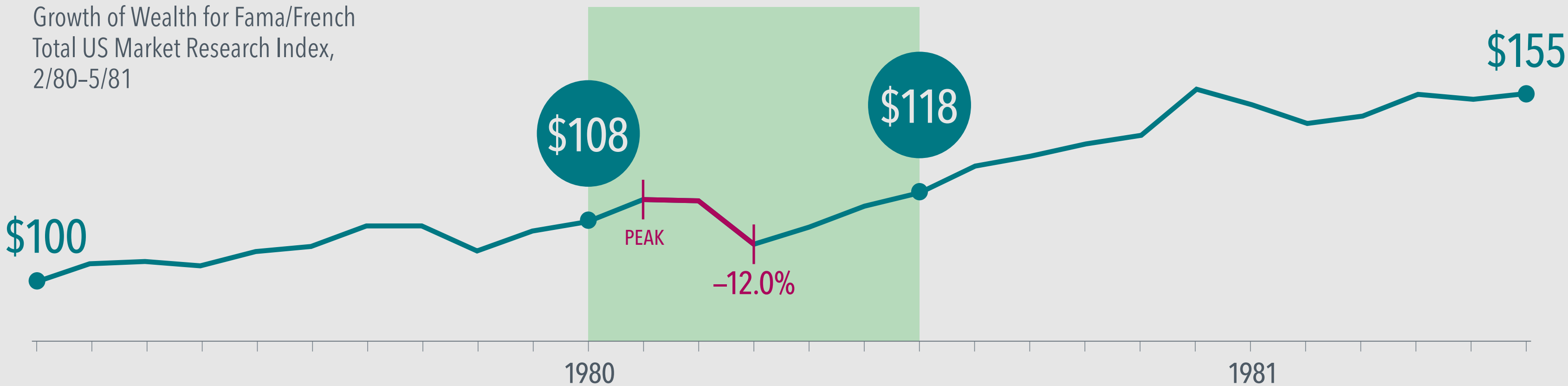


1980

A 12% stock market decline occurred early in 1980's six-month recession, during which unemployment hit 7.6%. But the market finished the year with an impressive gain of 33.4%.

RECESSION					MARKET DOWNTURN	
Duration (Months)	Industrial Production	Inflation	Max Unemployment	Change in GDP	Duration (Months)	Return from Peak
6	–5.9%	6.3%	7.6%	–2.2%	2	–12.0%

Growth of Wealth for Fama/French Total US Market Research Index, 2/80–5/81



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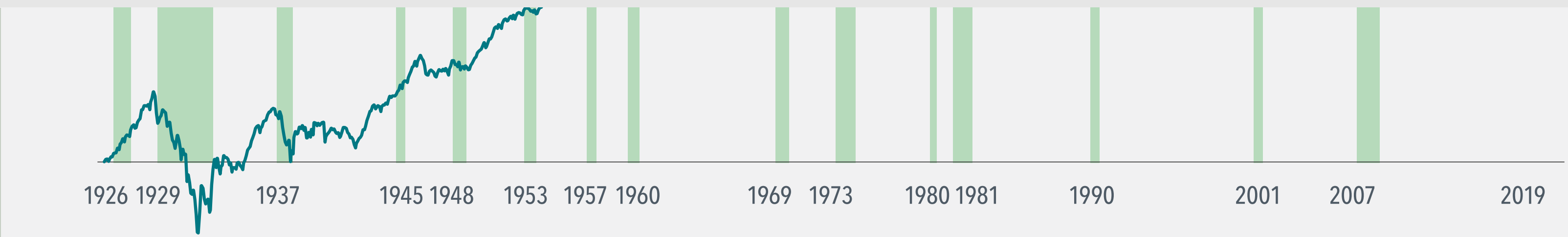
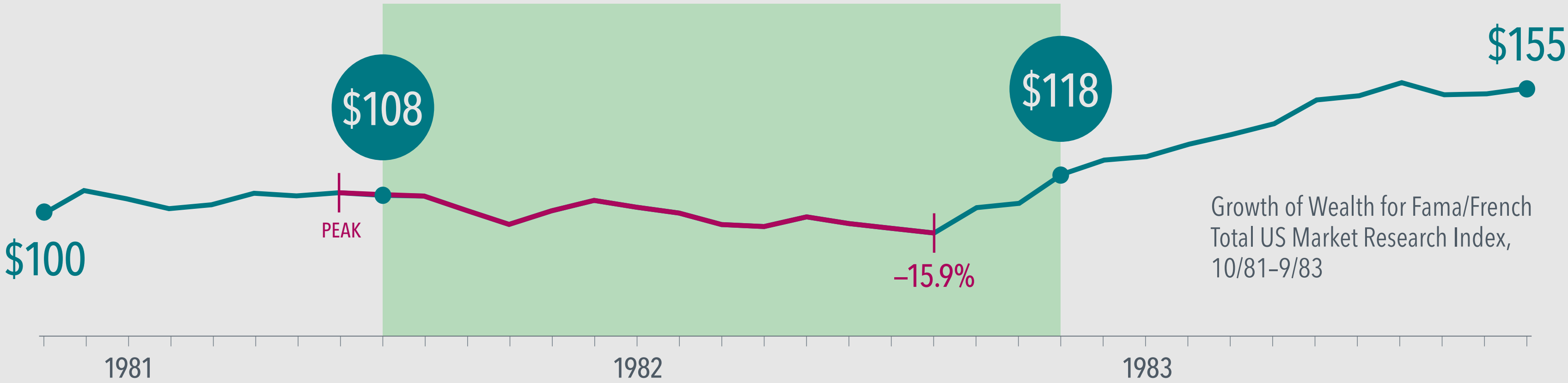


1981–1982

Historically high interest rates preceded a harsh recession that dragged on for 16 months and saw unemployment peak at 10.4%. The stock market experienced a 15.9% slide before beginning a long rally.

RECESSION					MARKET DOWNTURN	
Duration (Months)	Industrial Production	Inflation	Max Unemployment	Change in GDP	Duration (Months)	Return from Peak
16	–8.3%	7.2%	10.4%	–2.5%	14	–15.9%



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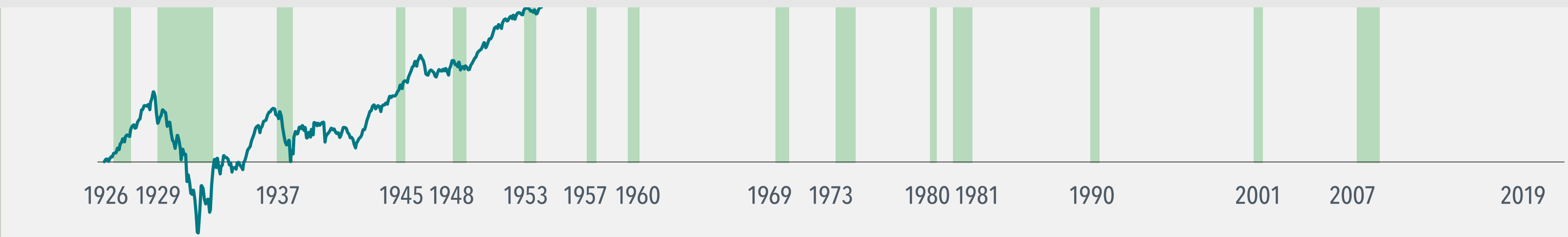
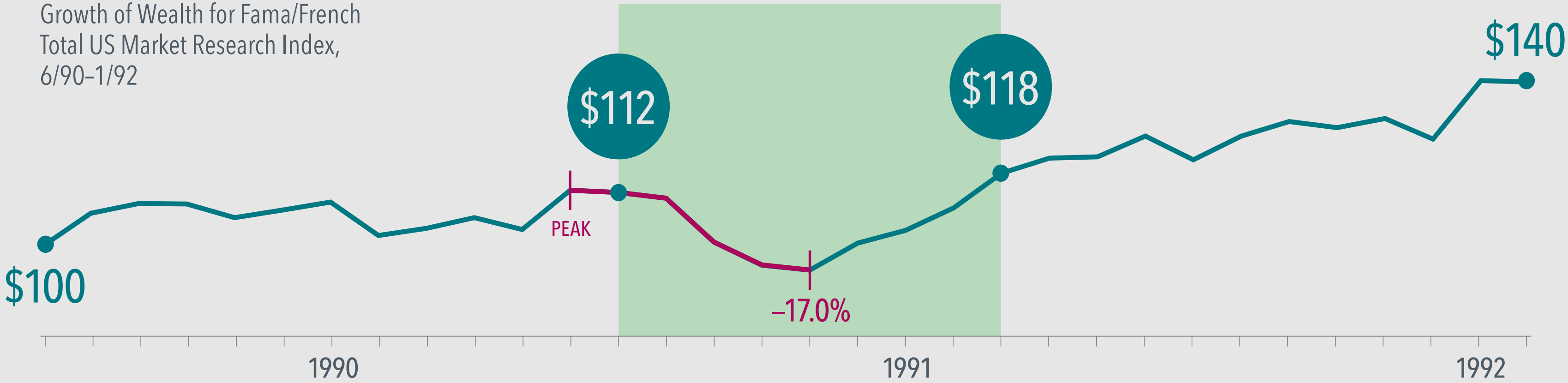


Gulf War

Stocks reacted negatively to the onset of the Gulf War in August 1990, dropping 17% over five months as the price of oil doubled. When the market regained its footing, stocks were set to start a nine-year bull market that peaked in the dot-com era.

RECESSION					MARKET DOWNTURN	
Duration (Months)	Industrial Production	Inflation	Max Unemployment	Change in GDP	Duration (Months)	Return from Peak
8	–3.2%	3.4%	6.6%	–1.4%	5	–17.0%

Growth of Wealth for Fama/French Total US Market Research Index, 6/90–1/92



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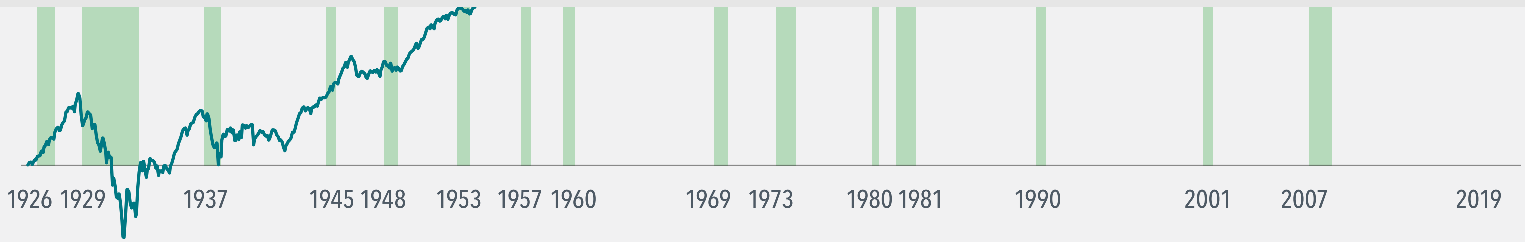
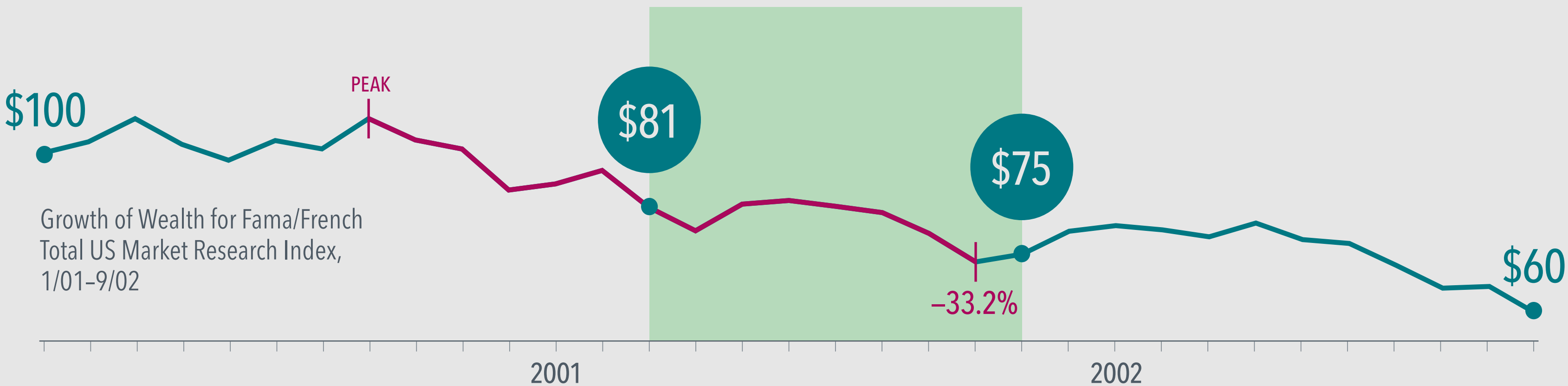


Tech Boom and Bust

Many investors may not realize that the stock market had started a deep decline before the relatively mild recession in March 2001, which followed the tech boom.

RECESSION					MARKET DOWNTURN	
Duration (Months)	Industrial Production	Inflation	Max Unemployment	Change in GDP	Duration (Months)	Return from Peak
8	–3.0%	0.9%	5.3%	0.4%	13	–33.2%



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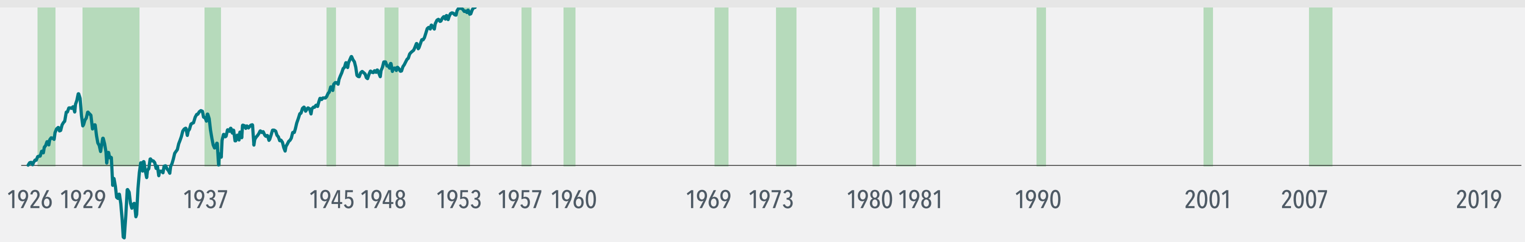
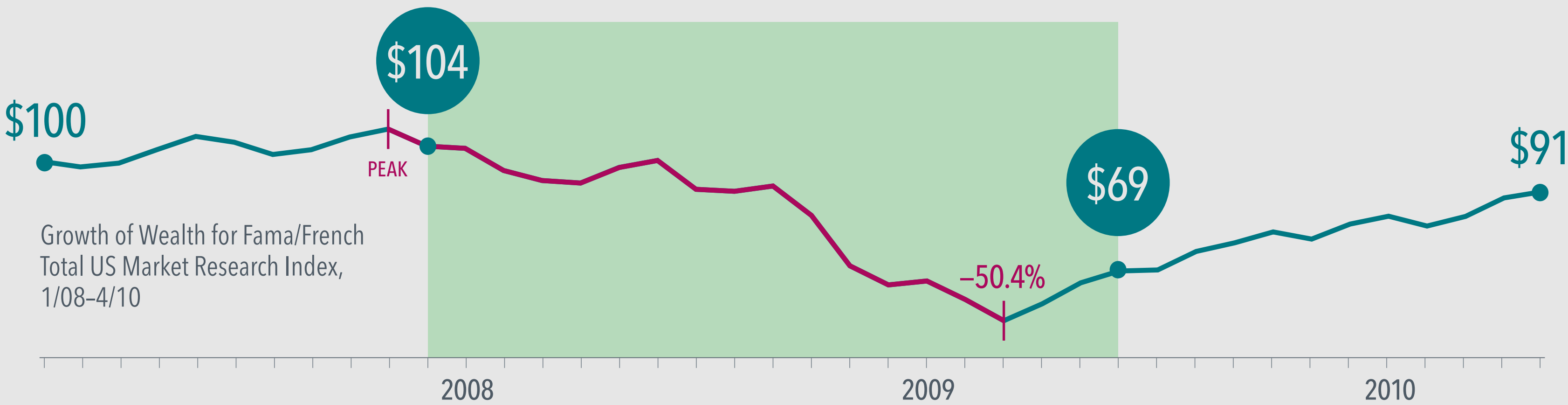


Global Financial Crisis

During the Global Financial Crisis, the worst of the 50.4% stock market dive happened in the latter half of an 18-month recession that saw unemployment hit 9.4% and industrial production tumble 17%. But after falling for 16 months, the market started a nearly 11-year bull run.

RECESSION					MARKET DOWNTURN	
Duration (Months)	Industrial Production	Inflation	Max Unemployment	Change in GDP	Duration (Months)	Return from Peak
18	–17.0%	1.8%	9.4%	–4.0%	16	–50.4%



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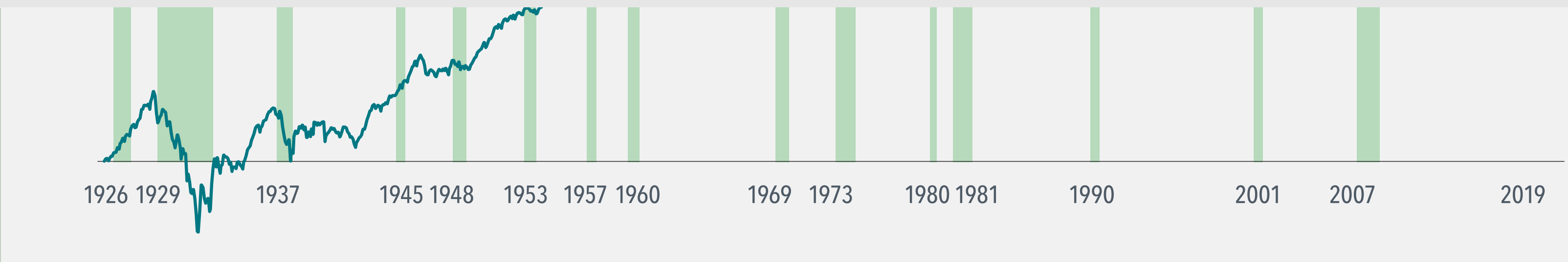

NOTES AND DATA SOURCES

- In US dollars. Stock returns represented by Fama/French Total US Market Research Index, provided by Ken French and available at *mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html*. This value-weighed US market index is constructed every month, using all issues listed on the NYSE, AMEX, or Nasdaq with available outstanding shares and valid prices for that month and the month before. Exclusions: American depositary receipts. Sources: CRSP for value-weighted US market return. Rebalancing: Monthly. Dividends: Reinvested in the paying company until the portfolio is rebalanced.
- Growth of wealth shows the growth of a hypothetical investment of $100 in the securities in the Fama/French US Total Market Research Index from July 1926 through December 2019.
- Gross Domestic Product (GDP) based on quarterly data from the US Bureau of Economic Analysis; quarterly data not available prior to 1947. Percentage change in GDP based on business cycle peak to trough quarter as reported by National Bureau of Economic Research (NBER).
- Industrial Production, Inflation, and Unemployment based on monthly data from Federal Reserve Bank of St. Louis (FRED); Unemployment data not reported prior to 1929.
- All calculations are cumulative.

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