A history of market recoveries after significant crashes

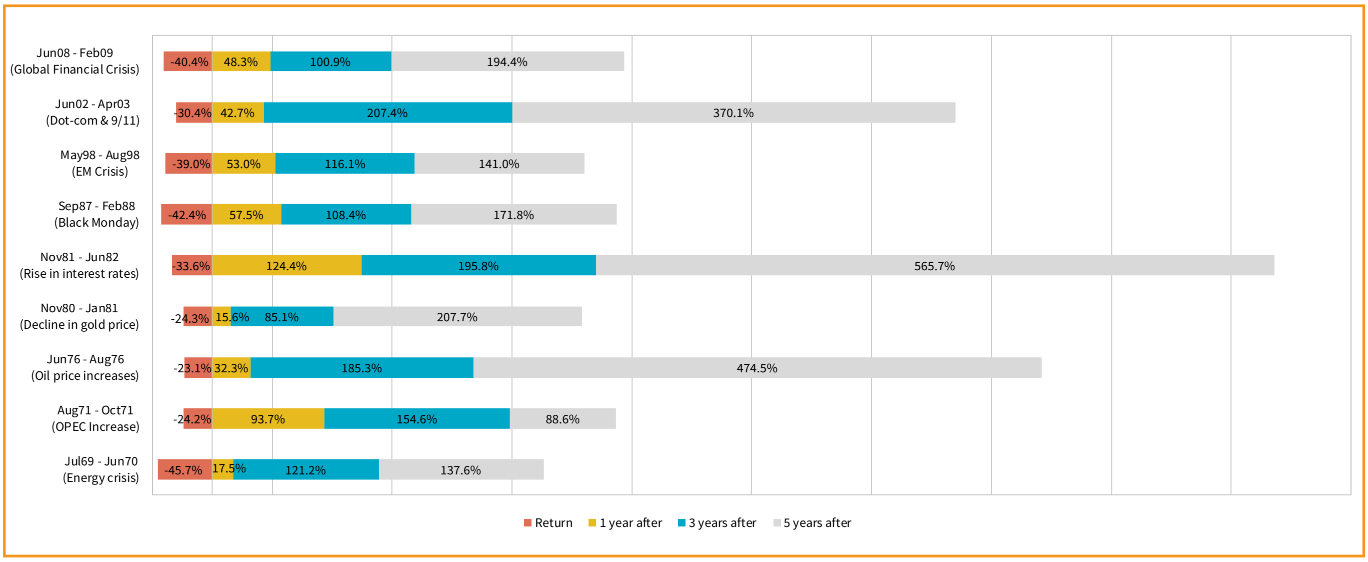
A reminder

March 2020

Investing can send investors on a rollercoaster ride of emotions. The bottom line is that markets go through cycles – sometimes they're up, sometimes they're down and, on occasion, their fluctuations can be drastic. It is during these drastic bouts of market volatility that even the most experienced investors can become anxious.

Investors have recently been hit with another drastic bout of market volatility. Investment performance has fallen to levels last experienced several years ago and there seems to be no recovery in sight. So, it would seem like the perfect time to adjust or cash out your investments, right?

The chart shows the history of the South African stock market, represented by the Johannesburg Stock Exchange All Share Index, when the market experienced a 'crash' and the recovery in market performance over subsequent years.



Source: Alexander Forbes Investments and Bloomberg

In all of the cases, bar two, the 1-year return post the crash exceeded the losses during the crash. Investors who sold at the beginning of the crash, would have experienced significant losses. Losses that could have recovered if they remained invested beyond the duration of the crash. The markets can be a scary place at times, but long-term investors shouldn't panic. The gains experienced over the long term outweigh the losses experienced in the short term.

The historical evidence reminds us that the biggest price swings are rare occurrences that should not exaggerate the risk and uncertainty pinned on the anticipated long-term value of an investment. Remember, investment goals are set with the future in mind. This is why staying invested for the long term is the best answer to an investment strategy that ultimately rewards.

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