Things tend to Get Better, but Not the Way We Expect.
March 2020

A few years back, I came across a chart illustrating 10 market corrections known in our industry as "Bear Markets." Having lived through 5 of them, the following are my memories and "lessons learned."

January 1973, -48%, 21 months to reach bottom. The cause? Stagflation – a combination of a stagnant economy combined with inflation led to real estate speculation and ultimately collapse. The OPEC oil embargo did not begin until October 1973, but it sure did add fuel to the fire. Graduating from high school, I was fascinated. "How did we get here," I asked? Things had to get better, but how?

November 1980, -27%, 21 months to reach bottom. In the day of 15% mortgage interest rates and 10% inflation, Paul Volcker, cigar chewing Federal Reserve Chair, brought our economy to the verge of depression. I had the audacity to become a stockbroker April 1, 1981. After all, things had to get better. They did, but not in the way I expected. The market went up 229%, before peaking in 1987.

August 1987, -34%, 3 months to reach bottom. Known as Black Monday, October 19, 1987, stock markets around the world crashed. It happened so fast! Thanks to new technology, history will record that this was the beginning of program trading. I remember waking up Tuesday, October 20, 1987 with a career decision. Either this was the end, or this would be one of the best days ever to invest. Things had to get better, I reasoned. They did, but not the way I expected. 30 years later, program trading is common today. It was blamed for 2 "flash crashes" in 2016. Do you remember it? Of course not. They were "flashes!" By the way, the market went up 417% from October 1987 until March 2000.

March 2000, -49%, 31 months to the bottom. Known as the "Tech Bubble", the public had finally become believers in stocks. My career decision of 1981 was vindicated. If the Internet was our educator, then greed was the student. The broader market had peaked in late 1998, but greed did not notice. We mocked "wise" investment managers who engaged in "risk management" of investment portfolios they managed. They experienced "career risk" as investors withdrew their capital and placed their bets on "lucky seven." After all, we had the Internet to guide us. We were textbook greedy. It would take 10 years for technology stocks to "come back." "Wise" diversified investors recovered more quickly. Technology would help things get better, but not in the way we expected.

October 2007, -57%, 17 months to the bottom of the market. Technology helped us build sophisticated financial models and better yet, products to go with them. Like 1987 and 2000, it would take time for our emotional intelligence to catch up to our technological intelligence. In the dark days of 2009, it was hard to believe that things would get better. In the "Great Recession" that could have been another

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"Great Depression," financial fear "took greed to the woodshed," pulverizing the last vestiges of our greed. Again, things got better, but not in ways, we expected.

What did these 5 Bear Markets have in common?

- Like Bull markets, they did not last forever.
- They became new bull markets, reflecting prosperity.
- They all recovered to higher highs.
- Some diversified investors, who did not sell, may have recovered all their money, and then some.
- They tested and revealed our emotional intelligence.

March 2020. The pundits tell us COVID 19 is creating bear market number 6. It may be too soon to tell. I do not know. Some people say their gut tells them it is time to sell. History tells me, "Things tend to get better; but not the way we expect.

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