

# BUSINESS

## INVESTOR'S EDGE

### Current bear market, like all the others, shall pass

*Investors should not get caught up in short-term market moves.*

*"It was never my thinking that made the big money for me. It was always my sitting." — Jesse Livermore*



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Guest columnist

No one ever likes to see their portfolio go down — especially several months

in a row.

So, when you get your investment statements for last month, please be prepared. As of the time of this writing, the S&P 500 Index is down almost 6% for the month of June alone, and has officially passed into a bear market, defined as a decline of 20% or more.

Oh my!

These are indeed scary times. We have soaring prices, a brutal war in the Ukraine, rising interest rates, and a slowing economy. It's no wonder markets have been in a tailspin.

Despite this, history can provide us with valuable lessons to keep this decline in perspective.

Over the past 96 years, stocks have averaged a powerful 10.5% average annual return, despite experiencing 26 bear markets during that time frame. That's more than one bear market — a 20% plus decline — every four years.

While it's true we technically had a bear market in early 2020, it only lasted 23 trading days, which was remarkably short. I would argue our last "true" bear market was in 2011. So, over the last decade, we basically have had a free ride with exceptionally low volatility, interest rates, and inflation.

Your average bear market occurs every four or so years, lasts for 289 days, and has an average sell off of around 35%. This bear market (which includes the fall from January's peak) is already six months old and has so far seen a max drawdown of 24%. So, while markets certainly can go lower in the months ahead, history tells us we are likely closer to a bottom than we are from the top.

I have been in this business for 35 years now and have seen various market cycles — including terrifying bear markets — come and go. The biggest mistakes I have seen are investors getting caught up in short-term market movements which makes "otherwise rational people do irrational things." Such as selling out of a diversified, well-crafted portfolio near the bottom of a bear market.

Remember this, in just about any decade, if you missed just the 10 best trading days, your total return for the period was nearly halved. That's a costly penalty to sleep better at night. As Warren Buffett has said: "You pay a high price in the stock market waiting for a cheery consensus."

It's easy to be a long-term investor when stocks are going up. But investing in equities is a big boys and girls' game. You have to take the good with the bad, and hang in there when times are tough.

There's an old Wall Street saying: "You make your money in bear markets, you just didn't know it at the time." Meaning, you made your money by not selling out

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INVESTOR'S EDGE

## The best path: Hold tight, stay the course

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when the markets were in a scary decline. In short, by holding on, you are able to participate in the inevitable market recovery.

As I have stated previously, when I get my investment statements each month, I don't get excited when they are up or discouraged when they are down. This is because I know it is simply a snapshot in time of what other investors are willing to pay for the businesses or "mutual funds" that I own.

In fact, a sage piece of advice that I would pass on to you is this: every time you receive your monthly statements, discount their value by 10 to 15%. If you can't emotionally handle that, you better think twice about your asset allocation, friend.

For most of our readers, however, the best path forward during these scary times is largely to hold tight and stay the course.

Happy Independence Day, and remember, this too shall pass.

*Jim Burns, a chartered financial analyst, is president of J.W. Burns & Co. The opinions expressed here are his and do not necessarily reflect those of The Post-Standard. Readers should do research before deciding on an investment. Contact him at [jburns@jwburns.com](mailto:jburns@jwburns.com)*

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