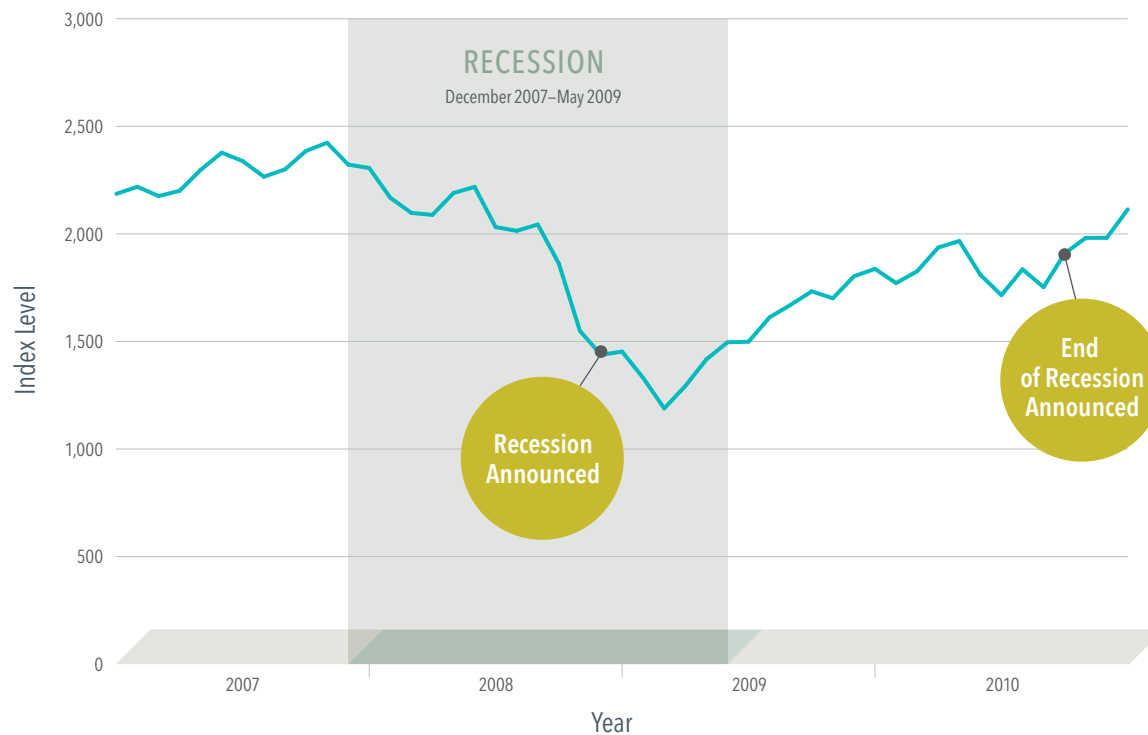


Markets Don't Wait for Official Announcements

US RECESSION AND STOCK PERFORMANCE DURING THE GLOBAL FINANCIAL CRISIS¹

S&P 500 Index, January 2007–December 2010



Some investors may worry about the stock market sinking after a recession is officially announced. But history shows that markets incorporate expectations ahead of economic reports.

- The global financial crisis offers a lesson in the forward-looking nature of the stock market. The US recession spanned from December 2007 to May 2009, as indicated by the shaded area in the chart.
- But the official “in recession” announcement came in December 2008—a year after the recession had started. By then, stock prices had already dropped more than 40%², reflecting expectations of how the slowing economy would affect company profits.
- Although the recession ended in May 2009, the “end of recession” announcement came 16 months later (September 2010). US stocks had started rebounding before the recession was over and climbed through the official announcement.

The market is constantly processing new information, pricing in expectations for companies and the economy. Investors who look beyond after-the-fact headlines and stick to a plan may be better positioned for long-term success.

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1. Start and end dates of US recessions, along with announcement dates, are from the National Bureau of Economic Research (NBER). [nber.org/research/data/us-business-cycle-expansions-and-contractions](https://www.nber.org/research/data/us-business-cycle-expansions-and-contractions) and [nber.org/research/business-cycle-dating/business-cycle-dating-committee-announcements](https://www.nber.org/research/business-cycle-dating/business-cycle-dating-committee-announcements)
 2. Decline based on the S&P 500 Index's price difference between the actual start of the recession in December 2007 and the official "in recession" announcement 12 months later.

Past performance is no guarantee of future results. Investing risks include loss of principal and fluctuating value. There is no guarantee an investment strategy will be successful. Indices are not available for direct investment. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment.

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