April 5, 2021

FUSCO FINANCIAL ASSOCIATES

Market Commentary

Dear Valued Clients,

As we finish the first quarter, I thought it would be interesting to look back on what has been one of the, well, to say the least, unique years the market has ever experienced. We are just a little over a year removed from end of the Coronavirus Pandemic bear market of 2020, which ended up being one of the fastest and most vicious bear markets of all-time, with a peak to trough drawdown of 34%[1]. From that point stocks have staged a furious comeback, the global economy has recovered at a record pace, and with vaccine rollouts happening across the globe, there is reason for optimism.

Let’s start though by trying to put in perspective just how historic the past year has been. First, the S&P 500 Index fell 33.9% from the February 19, 2020 peak until the March 23, 2020 low, setting the record for the fastest 20% bear market ever at only 16 days. And during that stretch we had March 16th, 2020, which will go down in history as one of the worst days ever for stocks. The Dow Jones Industrial Average fell 12.9%, which was the fourth-worst day in the nearly 125-year history of the Dow. Only the crash of 1929, crash of 1987, and the day that trading started (after being halted for months) during World War I were worse than March 16, 2020. In fact, huge swings (both up and down) were quite common in March 2020, with the average daily move (up or down) during March 2020 an astounding 5.3% per day[2].

But, as bad as things got, the rebound was even more impressive. After falling nearly 34%, it took only five months for the S&P 500 to recover its losses; the fastest bounce back ever for a 30% loss or greater. To put it in perspective, the S&P 500 also lost 34% in 1987, but that recovery took 20 months to get back to new highs. At the lows in 2020, the S&P 500 was down 30.7% for the year, but when all was said and done it closed up 16.3%. There is maybe no better illustration as to the dangers of trying to time the markets.

Incredibly, the S&P 500 has increased more than 70% since the lows a year ago[3], making it the best start to a bull market ever. The previous best start to a bull market ever was the 2009 bull market, which was up 68.6% after one year. Even after those historic one-year gains, the S&P 500 managed to gain a respectable 15.9% during the second year. It wasn't an easy ride, however, as there was a 17.1% correction during the second year. Pullbacks tend to happen during the second year of a new bull market, with an average year two pullback of 10.2%[4]. Considering the current bull market reflected the best start to a bull market ever, experiencing some volatility should be expected. This is why it is important to stay the course and rely on your investment objective and a well-defined investment philosophy.

Please continue to stay safe, and as always, if you have any questions, or if we can help in any way, please don't hesitate to give our office a call.

With my best regards,

Kevin Fusco

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[1] Source: Morningstar Direct
[2] Source: FactSet, 03/30/2021
[3] Source: FactSet, as of 3/29/2021
[4] Source: LPL Financial 3/22/2021