

April Sun Shines: Typical Stock Market Rally After Five-Month Losing Streak



May 6, 2008

Longest Consecutive Monthly Streaks of Negative Returns for S&P 500 Index

Date Streak Ended	Return During Streak	Return 12 Months Later	Streak Length
Dec-37	-35.7%	31.1%	5 Months
Sep-74	-32.3%	38.1%	7 Months
Nov-46	-21.8%	8.0%	6 Months
Oct-90	-14.7%	33.5%	5 Months
Sep-66	-14.6%	30.6%	5 Months
Jun-73	-10.4%	-14.5%	6 Months
Mar-08	-13.8%	—	5 Months

Source: Bianco Research L.L.C.; Ibbotson, FMRCo (MARE) as of 4/30/2008.

Past performance is not a guarantee of future results. Investment decisions should be based on an individual's own goals, time horizon, and tolerance for risk.

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[i] Monthly performance as of 4/30/08. Record of monthly performance dates back to 1926. Source: Ibbotson, FMRCo (MARE)

Stocks up nearly 5% in April after 5-month decline

▶ The U.S. stock market rose nearly 5% during April, breaking a string of five consecutive months of negative returns (November 2007 to March 2008).

▶ Since 1926, the S&P 500 has only experienced a consecutive monthly losing streak of five months or more on six previous occasions (see table, left).ⁱ

Five-month losing streaks typically preceded gains

▶ In five of the six previous occurrences of consecutive monthly declines lasting at least five months, the stock market was up one year after the losing streak ended—and often significantly so. For example:

▶ In the 5 previous instances, the market was up 8% or more one year later.

▶ Perhaps more surprising: In 4 out of 5 instances, the market rallied more than 30% one year later.

Investment implication

▶ Although the U.S. stock market rarely has experienced consecutive monthly losing streaks of five or more months, investors who've maintained their exposure to stocks throughout such periods generally have benefited from staying the course. ■

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