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THE JOHNSON LEGACY REPORT

Building Trust for Generations

Lori Samuels
Wealth Manager
250-979-2712
lori.samuels@raymondjames.ca

Jay Dowhaniuk
Wealth Manager
250-979-2720
jay.dowhaniuk@raymondjames.ca

Raymond James Ltd.
500 – 1726 Dolphin Avenue
Kelowna, BC V1Y 9R9

www.johnsonlegacy.ca

BULL AND BEAR MARKETS IN PERSPECTIVE

Many investors still have PTSD from the financial crisis of 2008 and the subsequent knee-jerk reaction from the yield curve inverting in late 2018 sent N.A. stock markets down between 15-20% over the course of three months. However, let's put bear markets into perspective as shown by this chart going back to 1946:

S&P 500 Index Bear Markets since 1946

	Duration (years)	Decline % (peak to trough)	Recovery time (years)
1946 Postwar Hangover	1.0	-25.2%	2.4
1957 Eisenhower Recession	0.6	-19.8%	0.8
1961 Kennedy Slide	0.5	-26.9%	0.8
1966 Credit Crunch	0.7	-20.2%	0.5
1968 Rising Inflation, Vietnam War, Monetary Tightening	1.5	-32.6%	0.8
1973 Collapse of Bretton Woods	1.7	-44.8%	1.8
1980 Oil Crisis	1.7	-20.2%	0.2
1987 1987 Stock Market Crash	0.2	-32.9%	1.6
2000 Dot-Com Bubble Crash	2.1	-47.4%	4.0
2008 The Financial Crisis	1.4	-55.2%	3.1
Average	1.1	-32.5%	1.6

Source: Bloomberg LP. As at December 31, 2018. S&P 500 Index Total Returns in US$

The average peak to trough decline is -32.5% and lasts about 1.1 years. Once the bear market crisis has run its course, it takes an average time of 1.6 years for the market to recover.

Now let's compare that to the amount of time the markets are in positive territory:

S&P 500 Index Bull Markets since 1946

	Duration (years)	Increase % (trough to peak)
1946 - 1956	10.2	567%
1957 - 1961	4.1	114%
1962 - 1965	3.6	103%
1966 - 1968	2.1	58%
1969 - 1972	2.6	89%
1975 - 1981	6.2	204%
1982 - 1987	5.0	304%
1987 - 1999	12.9	533%
2002 - 2007	5.0	121%
2009 - 2018	9.8	355%
Average	6.2	245%

Source: Bloomberg LP. As at December 31, 2018. S&P 500 Index Total Returns in US$

The average bull market increase by 245% and lasts about 6.2 years. This means the S&P 500 index is in a bull market 85% of the time! Although past performance isn't indicative of future results, looking at historical markets helps illustrate the benefits of investing for the long term.

This also illustrates how important it is to have "active portfolio management" (opposed to passive management) during the later stages of the business/market cycle. Active managers have the ability to limit losses and preserve capital when markets get difficult thereby shortening the recovery time and smoothing out the peaks and troughs.

Market Pulse:

Major Stock Indexes	Level/Price	YTD Return Ending Sept. 30th/19
S&P/TSX Comp	16,483	15.08%
S&P 500 Comp	3,038	21.17%
Dow Jones Industrial Avg	27,046	15.94%
Major Bond Index		
Dex Universe	1,131	7.60%
Commodities		
Crude Oil - WTI (US$/bbl)	$54.87	20.33%
Gold (US$/oz.)	$1,510	17.86%
N. Gas (US$/MMBtu)	$2.60	-11.67%
Currency		
Canadian Dollar (CAD/USD)	$0.76	3.42%

Source: Bloomberg

Personal Updates:

Lori enjoyed her two-week holiday with seven other girls in Singapore and Bali. Lori was impressed with the gorgeous architecture, both new and old, in clean, safe Singapore. The food was incredible too. The street markets and Little India were food highlights. Of course, she had to try the famous Singapore Sling at the posh Raffles Hotel for $33. Yikes!

Bali was beautiful too with countless temples, beautiful beaches and local people who were so kind and filled with gratitude. The girls spent some time exploring, doing yoga, biking through rice fields and enjoying many inexpensive massages and spa treatments.

Jay and family finished soccer season and jumped right into hockey for Tucker and dance for Charley. They are also counting down the days for Big White to open so they can hit the slopes. Charley is excited to start (for the first time) the Big White freestyle/board team this year. Jay has taken over a month off from cycling and, considering how tight his suits are getting, needs to sign up to the virtual reality cycling program Zwift ASAP.