



A long December

A long December and there's reason to believe maybe this year will be better than the last. — Counting Crows

The market's volatility still seems to us to be more of a "run" on the equity market based on fear rather than fundamentals. The difference between a run on the banking system and a run on the stock market is that the banking system has an explicit government backstop (FDIC). In stark contrast, not only does the stock market not have a government backstop, but many of the drivers of the current volatility directly stem from government policy (trade, oil prices, the Federal Reserve, the government shutdown).

December is on pace to be one of the worst months for the S&P 500® in history. We examined the other ten times when the market has been down this dramatically in a single month and seven of them (70%) occurred during the Great Depression (1929-1939). The other three times were after the Nazi invasion of France, during the 1987 market crash and during the depths of the Financial Crisis. If you think that the current fundamental backdrop has the makings of a depression, World War III or a major financial crisis, then perhaps the magnitude of the market sell-off is reasonable. But even then, a look at subsequent returns shows that the stock market was historically up over the next 6, 12 and 24 months 70% of the time, with median gains over the next 24 months of +29%.

December is on track for the 11th worst month for the S&P 500® in history

Rank	Month	Price Change	Next 6 months	Next 12 months	Next 24 months	Notes
1	Sep-31	-30%	-25%	-17%	+0%	Great Depression
2	Mar-38	-25%	+44%	+29%	+43%	Great Depression
3	May-40	-24%	+14%	+1%	-12%	Nazis Invade France
4	May-32	-23%	+47%	+116%	+115%	Great Depression
5	Oct-87	-22%	+4%	+11%	+35%	1987 Crash
6	Apr-32	-20%	+19%	+34%	+79%	Great Depression
7	Oct-29	-20%	+3%	-30%	-57%	Great Depression
8	Feb-33	-18%	+96%	+90%	+54%	Great Depression
9	Oct-08	-17%	-10%	+7%	+22%	Global Financial Crisis
10	Jun-30	-16%	-25%	-28%	-78%	Great Depression
11	Dec-18*	-15%	?	?	?	

Source: Richard Bernstein Advisors LLC, Bloomberg

* As of December 24, 2018

Dan Suzuki, CFA
Portfolio Strategist

Please feel free to call your regional portfolio specialist with any questions:

Phone: 212 692 4088

Email: marketing@rbadvisors.com

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