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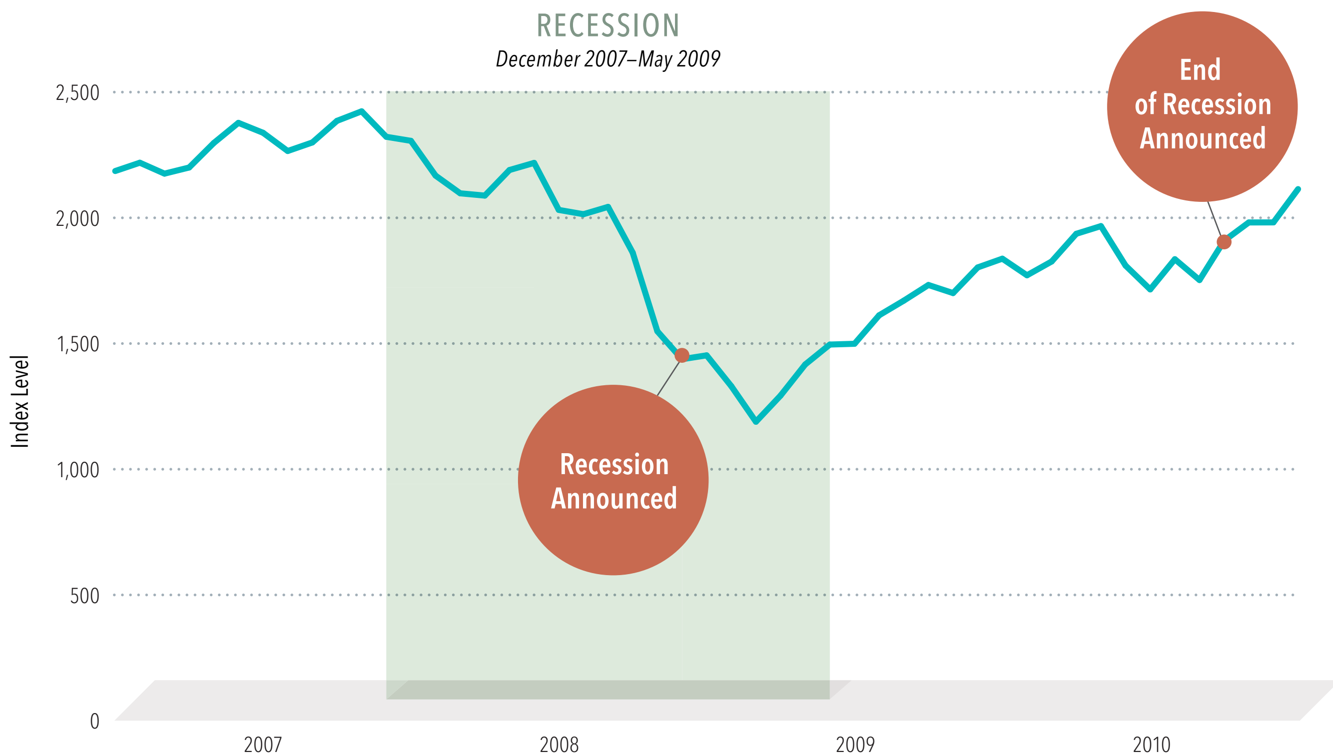
Markets Don't Wait for Official Announcements

US RECESSION AND STOCK PERFORMANCE DURING THE GLOBAL FINANCIAL CRISIS

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 the news.

- 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 (shaded area).
- 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%.
- Although the recession ended in May 2009, the announcement came 16 months later, by which time US stocks had rebounded.

Investors who look beyond after-the-fact headlines about markets and the economy and stick to a plan may be better positioned for long-term success.

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.

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* and *nber.org/research/business-cycle-dating/business-cycle-dating-committee-announcements*

Stock price decline of more than 40% from December 2007–December 2008 is 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.

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