

The experience of a declining market or perceived recession can be a heart racing experience. The temptation to move investments to historically safer territory can be overwhelming.

But history tells us that sticking with your long-term investment plan, including higher-risk equity positions, may give you something you wouldn't have standing on the sidelines – a better opportunity to take advantage of the markets' recovery.

We say perceived recession because economists don't agree on a single definition, and usually can't be certain one occurred until well after the fact.

Since World War II, the United States has witnessed approximately 10 recessions by the classic definition, lasting anywhere from six to 16 months and varying in severity. The classic definition of a recession is a decline in Gross Domestic Product (GDP) for two or more consecutive quarters.

Today, many economists go further, taking a range of economic data into account. The Business Cycle Dating Committee at the National

Bureau of Economic Research (NBER) provides a comprehensive determination by factoring in measurements such as employment, industrial production, real income and wholesale-retail sales.

Still, because any definition requires backward-looking measurements, the stock market usually begins reacting to recessionary pressures well before anyone can be certain that a recession is taking place. This makes timing the bottom of the market extremely difficult.

Looking back at the most recent recession, the S&P 500 experienced three straight years of negative performance (2000-2002) before rebounding with five consecutive years of positive results (2003-2007). While past performance offers us no guarantees for the future, historically, some of the most dramatic market gains have followed market lows or while coming out of a recession.

(Dividends not included in numbers below.)

## During Recessions

S&P "Bottoms"			Returns for 1-year after finding the market bottom		
*During Recession	S&P Level	% Change Peak to Bottom	Date	S&P Level	% Change 1-year
9/14/1953	22.71	-14.82	9/14/1954	31.28	37.74
10/22/1957	38.98	-21.47	10/22/1958	51.07	31.02
10/25/1960	52.2	-14.02	10/25/1961	68.34	30.92
5/26/1970	69.29	-36.06	5/26/1971	99.59	43.73
10/3/1974	62.28	-48.20	10/3/1975	85.95	38.01
3/27/1980	98.22	-17.07	3/27/1981	134.65	37.09
8/12/1982	102.42	-27.11	8/12/1983	162.16	58.33
10/11/1990	295.46	-19.92	10/11/1991	381.45	29.10
10/9/2002	776.76	-49.15	10/9/2003	1038.73	33.73

\*2002 low was 10 months after recession ended.

**Recessions** | Since 1950 they have averaged 10.3 months in duration, but the S&P 500 historically peaked 8.1 months before the average recession officially started. The market typically "predicts" a recession is coming.

## Corrections

### S&P corrections and subsequent performance

Date of market low	S&P Level	Correction	Following 1-year returns	Following 2-year returns
5/26/1970	69.29	-36.06%	43.73%	59.71%
10/3/1974	62.28	-48.20%	38.00%	67.00%
3/6/1978	86.90	-19.41%	12.62%	25.03%
3/27/1980	98.22	-17.07%	37.09%	13.97%
8/12/1982	102.42	-27.11%	58.33%	61.52%
12/4/1987	223.92	-33.51%	22.78%	56.93%
10/11/1990	295.46	-19.92%	29.10%	37.90%
10/27/1997	876.99	-10.79%	21.48%	47.86%
8/31/1998	957.00	-19.34%	37.93%	58.54%
10/9/2002	776.76	-49.15%	33.73%	44.46%

S&P 500 Annualized Return 1/1/1968 to 12/31/2007 = 11.23%

**Corrections** | The markets have seen 10 significant market corrections (> 10% declines) since 1970, including 4 not related to recessions. In each instance, the market has advanced at an above average rate over the year following the market bottom.

The S&P 500 is based on the average performance of 500 widely held common stocks. The S&P 500 is a broad-based measurement of changes in stock market conditions. Index returns do not reflect the deduction of fees, trading costs or other expenses. The Index is referred to for informational purposes only; the composition of the S&P 500 is different from the composition of the accounts managed by the investment manager. Investors may not make direct investments into any index. Past performance may not be indicative of future results.

# Market Rebounds

## The cost of missing the good days

Even though recessions and market corrections are separate and independent events, the pattern of decline and recovery are similar. The returns after a recession or a correction have historically exceeded the long-term market average by a wide margin.

Yet missing just a few choice days in the history of the market cycle by swaying from a disciplined investment plan can make a huge difference in the returns investors realize. The table below illustrates the dramatic loss in performance by missing some of the best days in the market.

Getting out of the market is not the difficulty; it is the potential penalty for not choosing the right time to get back in. If an investor were to miss the best 10 days in the market over the last 20 years, their average annualized return drops from 11.82% to 9.17%. Missing the 30 best days during the same period drops the return to 5.26%, a potentially crippling blow to a retirement plan.

While no one can predict the bottom of the market, history shows that the U.S. economy is resilient, and that rebounds can take place quickly. Missing just a few of the leading rebound days can make a significant

## The Penalty for Missing the Market

As of December 31, 2007

Investment pattern over a 20-year period	Average annual returns	Growth of \$10,000
Fully invested	11.82%	\$93,339
Miss 10 best days	9.17%	\$57,778
Miss 20 best days	7.10%	\$39,398
Miss 30 best days	5.26%	\$27,886

12/31/87 - 12/31/07

difference in the long-term performance of a portfolio. The only way to be assured of capturing all of the market upside is to remain fully invested, using a long-term investment plan with a portfolio diversified over several asset classes and investment styles.

While sticking with your investment strategy through turbulent markets can be a nerve-wracking experience, history suggests you may benefit by hanging on.

*This commentary reflects the thoughts and opinions of Raymond James Asset Management Services and is subject to change without notice. Presentations are for information purposes only and should not be construed as a recommendation regarding any security. Investing involves risk and you may incur a profit or a loss.*

*Diversification does not ensure a profit or guarantee against a loss. There is no assurance that any investment strategy will be successful.*

**RAYMOND JAMES**  
ASSET MANAGEMENT SERVICES

Raymond James & Associates, Inc. | Member New York Stock Exchange/SIPC

880 Carillon Parkway | St. Petersburg, FL 33716 | 800.248.8863

Securities offered exclusively through Raymond James Financial Services, Inc., member FINRA/SIPC, an independent broker/dealer, and are:

• NOT FDIC/NCUA insured • NOT GUARANTEED by the financial institution • Subject to risk and may lose value