

CRISIS AND COMEBACK: MARKET BEHAVIOR DURING HISTORICAL BOUTS OF VOLATILITY

How did markets perform during previous periods of volatility?

Market shocks are an inherent part of investing, and while volatility always feels unsettling in the moment, history provides a critical reminder: markets have weathered difficult periods before and have typically emerged stronger on the other side.

To put today's market situation into perspective, we examine how various markets behaved during previous bouts of severe volatility.

PERFORMANCE OF S&P 500 INDEX



Source: Morningstar, as of March 20, 2026.



DOT-COM BUST
(2000–2002)

A long, grinding bear market

The bursting of the tech bubble in 2000 ushered in a prolonged bear market. From March 2000 through October 2002, the S&P 500 fell more than 47% over a period of more than two years. Technology stocks, captured by the NASDAQ Composite, fell even more dramatically, losing ~78% from peak to trough.¹

Recovery during this period was slower than seen in other downturns. But still, a year after the bottom, by October 2003, the S&P 500 had rebounded 33%.²

The Dot-com downturn highlighted that while volatility can linger for an extended period, the long-term trajectory of the market can also remain intact.



GLOBAL FINANCIAL CRISIS
(2007–2009)

Deepest drawdown, strongest rebound

The Global Financial Crisis (GFC) remains the most severe market downturn in modern history. The S&P 500 peaked in October 2007 and then fell for 17 months, bottoming in March 2009. Over that period, the index declined more than 55%. Yet, the recovery was also dramatic. In the 12 months following the March 2009 low, the index gained an extraordinary 70%.³

A key takeaway from the GFC is that even deep downturns can become new cycles of growth, sometimes faster than many would have anticipated.



COVID CRASH
(2020)

Fastest decline, fastest recovery

The COVID-19 pandemic triggered the fastest bear market in history. In just over a month — from February 19 to March 23, 2020 — the S&P 500 lost 34% of its value. The speed and severity of the decline were unprecedented in modern history, reflecting the extraordinary uncertainty about the global economy as lockdowns swept across the world.

Yet, markets also rebounded rapidly. Massive fiscal and monetary stimulus helped fuel a significant rally. From the March 2020 bottom, the S&P 500 surged 74% over the next 12 months, one of the strongest one-year returns on record.⁴



LIBERATION DAY
(2025)

Sharp but short selloff

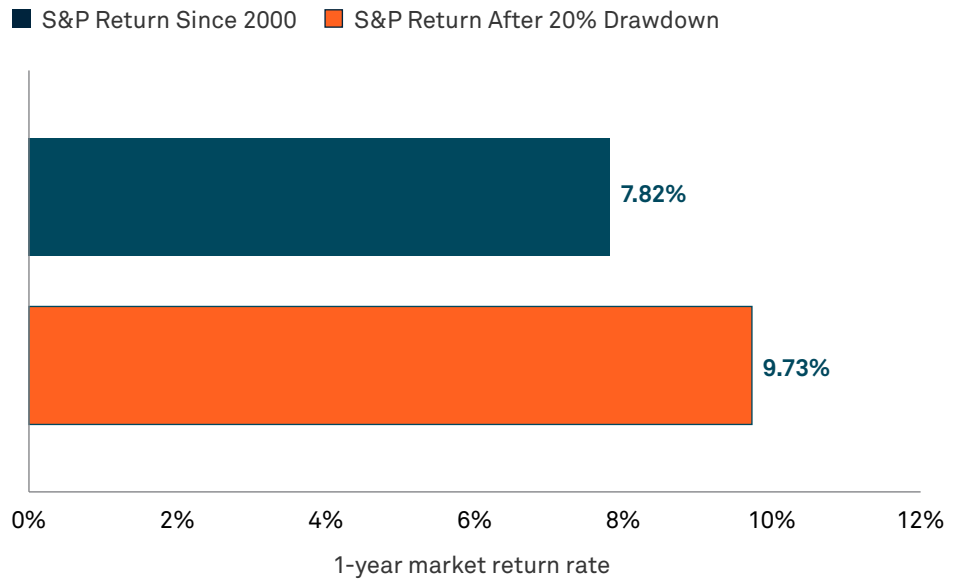
The April 2, 2025 Liberation Day tariff announcement triggered a swift market selloff. Equities declined and volatility rose amid concerns over slower growth, stickier inflation, and escalating trade tensions. Although the S&P 500 did not enter bear market territory, it fell almost 5% on the first trading day following the announcement, representing one of its steepest single-session losses since 2020.⁵ While market volatility persisted, the selloff lasted less than a week, with markets bottoming on April 8.

A subsequent de-escalation in tariff policy triggered a sharp relief rally. The market rebounded strongly on April 9, with the S&P 500 up more than 9% in one day and recovered its losses by mid-May.⁶ Both the selloff and recovery were driven by policy shifts, underscoring the market's sensitivity to sudden changes in policy expectations.

After deep drawdowns

Taking a step back to examine the S&P 500 more broadly, we see that since 2000, the average 1-year return is under 8%. However, since 2000, the average 1-year return after periods of a 20% drawdown is more than 9.7%.

AVERAGE MARKET RETURNS



Source: Morningstar, as of 3/20/26.

Lessons for investors

Market history shows that though periods of volatility are painful, equity drawdowns have consistently been followed by recovery.

Overall, amid market volatility, it's valuable to keep in mind that:

1

Market declines are a feature, not a bug, of long-term investing.

2

The depth of a downturn does not preclude a strong rebound.

3

Trying to time the market amid uncertainty is exceedingly difficult — and often counterproductive.

4

Staying invested, diversified, and focused on long-term goals remains a reliable strategy.

In times of turbulence, perspective is one of the most powerful tools an investor can have. History suggests that volatility, however uncomfortable, is rarely the end of the story.

¹⁻⁶ Morningstar, March 2026.

The **S&P 500® Index** is a widely accepted, unmanaged index of U.S. stock market performance. An investor cannot invest directly in any index.

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