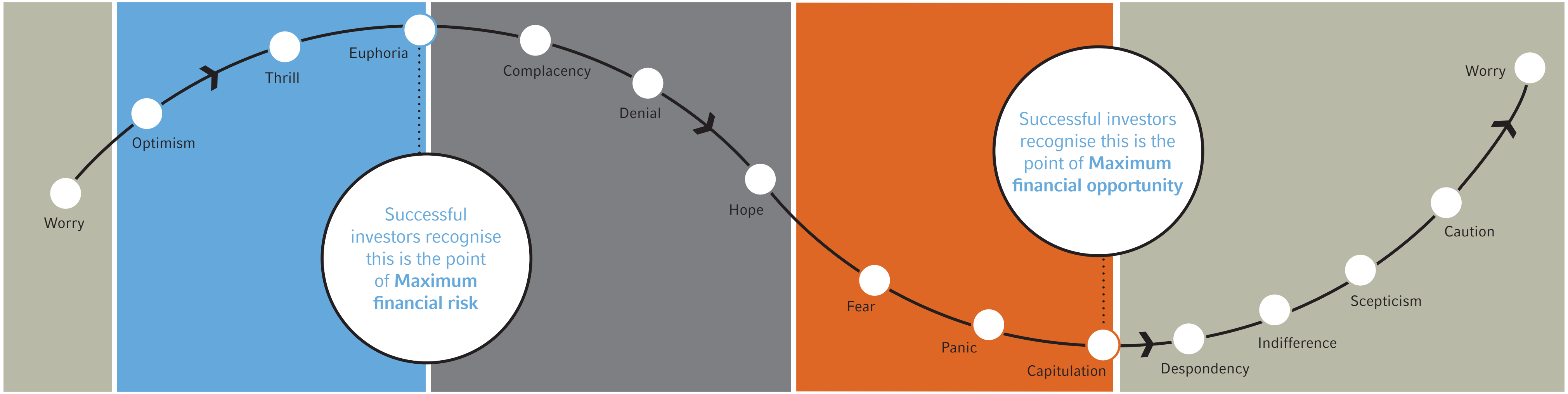
The Cycle of Market Emotions

2020 edition

Russell Investments



	OPTIMISM THRILL EUPHORIA		COMPLACENCY DENIAL HOPE		PANIC CAPITULATION DESPONDENCY		SCEPTICISM CAUTION WORRY	
Market Cycle 1	25%	**Nov 1971 – Dec 1972** • Inflationary pressures. Productivity improvements. • Rapid corporate earnings growth. • Introduction of paperless technology.	-19%	**Jan 1973 – Jan 1973** • OPEC Oil crisis – crude oil prices tripled. Inflation. • Credit squeeze. • Property company failures.	-24%	**Mar 1974 – Nov 1974** • Global recession. • Extended bear market.	36%	**Dec 1974 – Jun 1975** • Share market recovery despite recession.
Market Cycle 2	119%	**Aug 1984 – Aug 1987** • Credit boom. • Strong world economic growth.	-2%	**Sep 1987** • Irrational shareholder sentiment. • Peak of overinflated stock values vs historical PEs.	-28%	**Oct 1987 – Nov 1987** • 1987 Global stock market crash.	53%	**Dec 1987 – Dec 1989** • Share market recovery as value hunters sought to buy quality stocks cheaply.
Market Cycle 3	90%	**April 1997 – Sep 2000** • Tech boom. Investor exuberance. • Emergence of 'new economy' sectors.	-28%	**Oct 2000 – Sep 2001** • Tech bubble burst • September 11 terrorist attack.	-22%	**Mar 2002 – Feb 2003** • Reduced global economic growth forecasts. • Extended bear market. • Corporate accounting scandals.	42%	**Mar 2003 – May 2005** • Geopolitical uncertainty. • Refocus on world economic fundamentals. • Boom in resources in response to industrialisation of China.
Market Cycle 4	22%	**Jun 2005 – Jul 2007** • US home prices hit highs. • Credit boom. • Higher interest rates.	-20%	**Aug 2007 – Sep 2008** • Credit crunch. Sub-prime mortgage crisis. CDO failures. • Lehman Brothers declares bankruptcy.	-37%	**Oct 2008 – Feb 2009** • Global financial crisis • European and U.S. recessions. Negative real GDP reported for major developed countries in Q4 2008.	174%	**Mar 2009 – Oct 2014** • Global stock market recovery. • Deleveraging, slow economic growth.
Market Cycle 5	60%	**Nov 2014 – Dec 2019*** • Unemployment rates falling. • Economy normalises. • Profit margins elevated.						

* Latest month-end data available at the time of publishing as at 31 December 2019.

Market cycle returns calculated using S&P500 Price Index (in USD). Indexes are unmanaged, cannot be invested in directly, and do not take into account any fees and costs associated with an actual investment.