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The Main Team is here to talk – please feel free to reach out.

Here's some perspective on what's been happening in markets recently...

At the time of writing this, the S&P 500 is down around -15% YTD (and did hit -20% peak to trough, officially bear market territory), moving lower on fears of tariffs causing rising inflation and slowing growth.

But we've been down like this before and now is not the time to sell despite there being plenty of reasons out there telling you to do so.

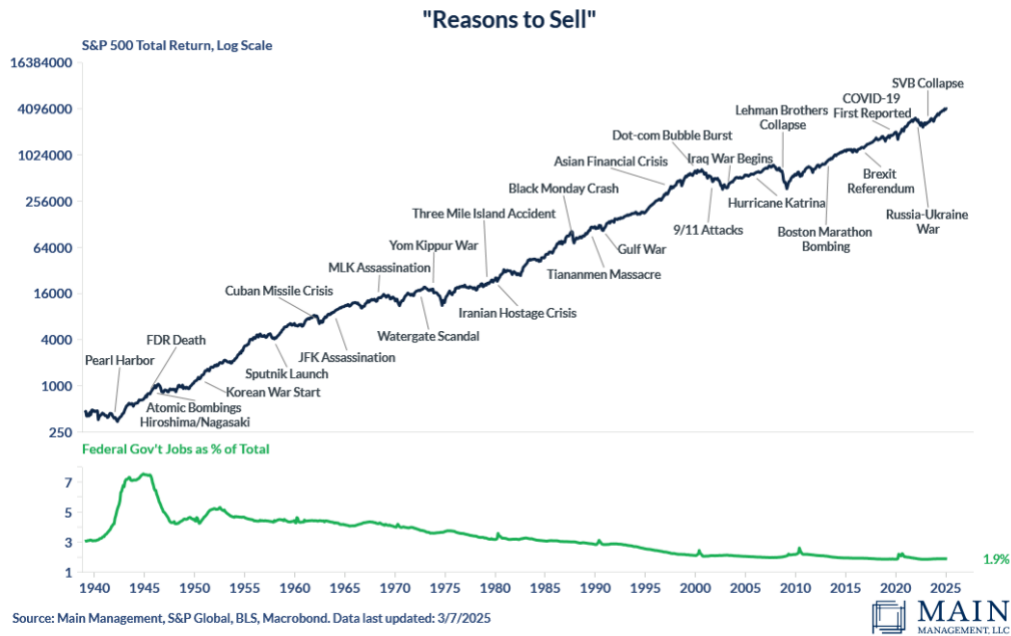
When sentiment gets this extreme, don't dwell on what can go wrong—think about what can go right. Looking for opportunities rather than following the crowd off the cliff is usually a much better place to be as an investor.

IF we do go into a recession, history indicates that ONLY -4% more downside is what may be expected... the bulk of the pain would be behind us in that case and forward returns have been strongly positive over the next 12 mos.

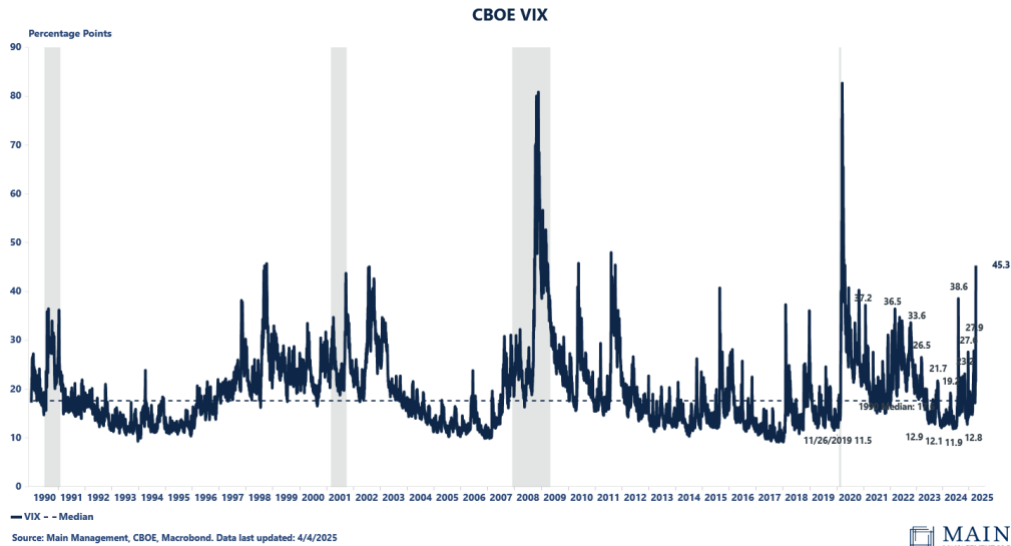
See below for information you may find helpful when talking with your clients.



The graph below illustrates there have been many historical events that have been "Reasons to Sell," however, it's important to remind clients and recognize, that while it's difficult and uncomfortable when you're going through these situations, staying the course, staying invested in the appropriate risk model you worked with them to create and which accounts for these types of events, may ultimately serve them better.

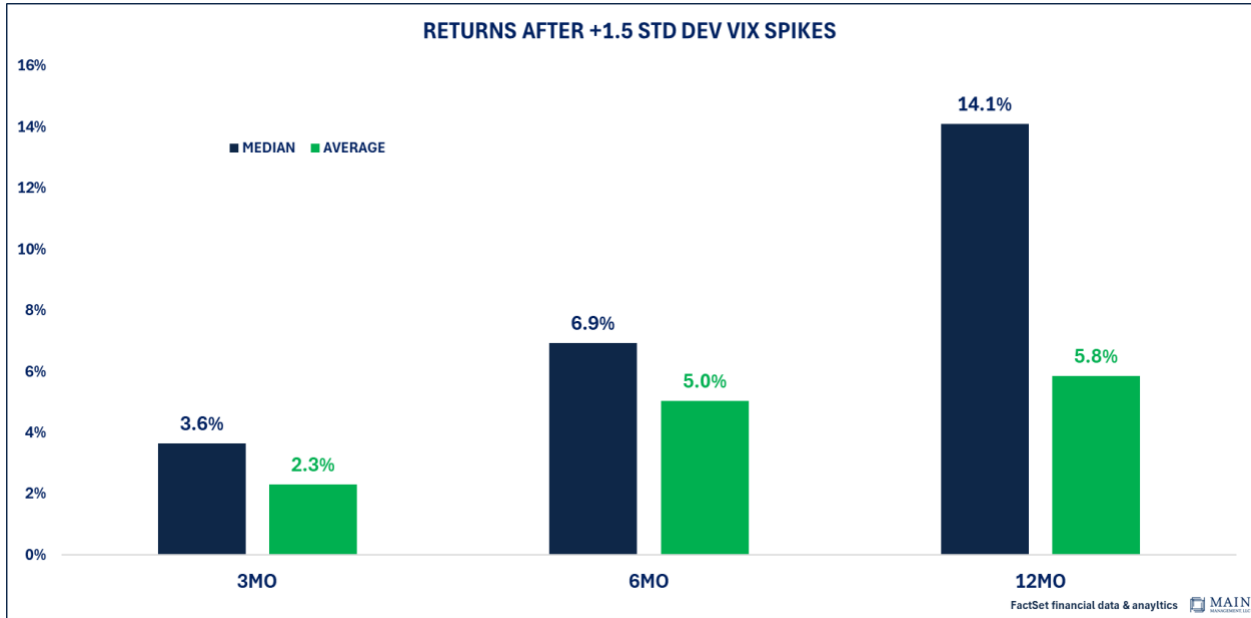


The VIX spiked hard last week, closing at 45.3 (+3.5 standard deviations above its median), so, what's the significance of this? See the next table.

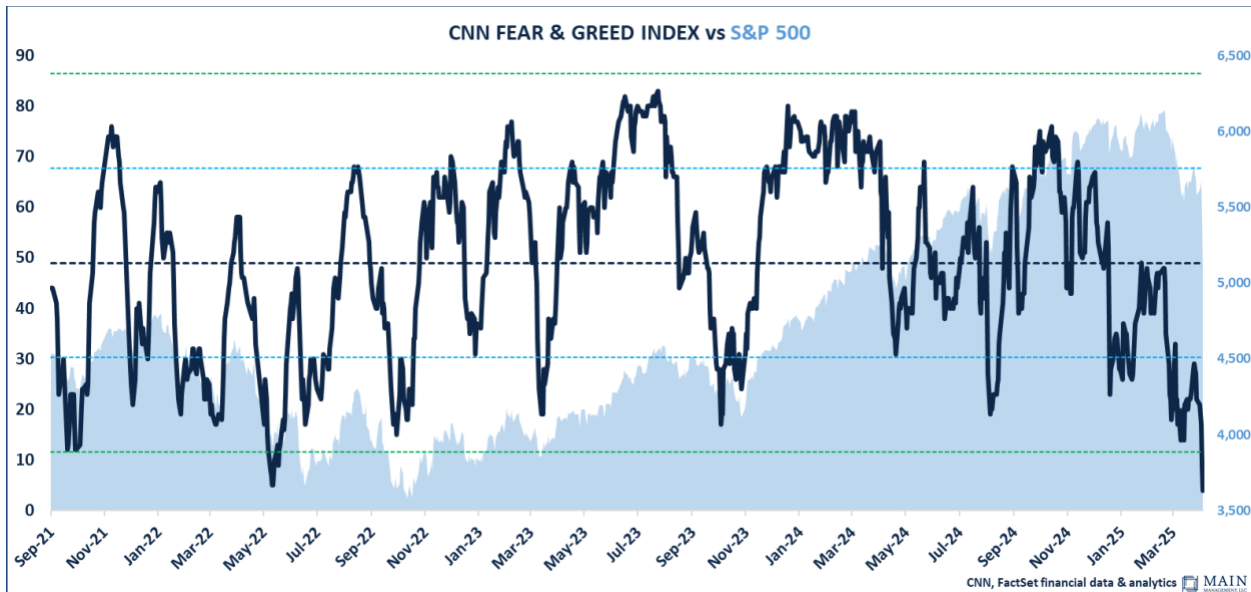




VIX spikes have historically also represented good buying opportunities:

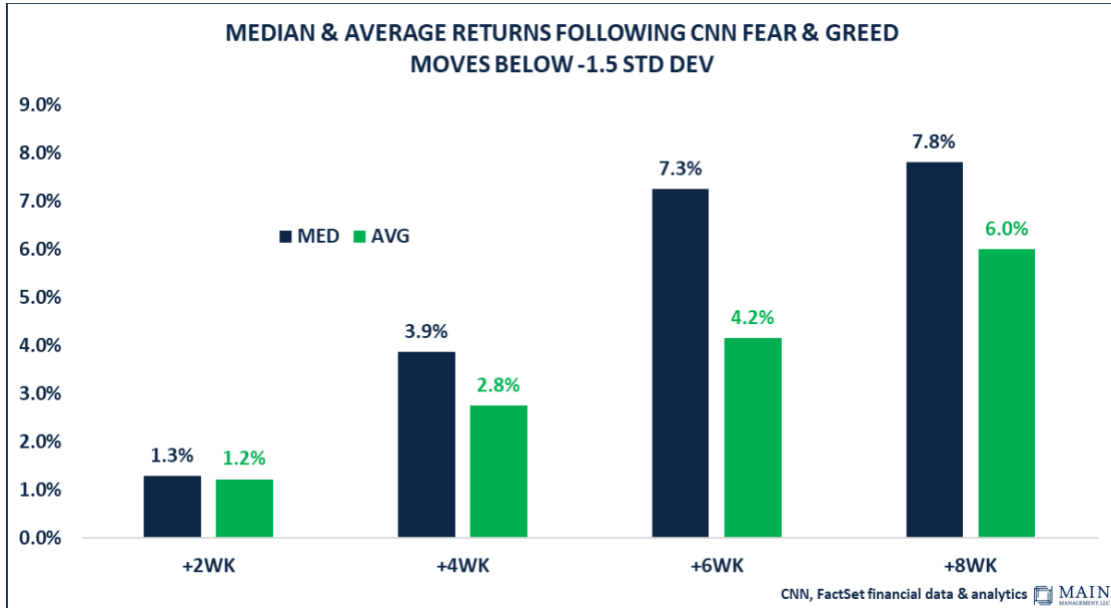


Sentiment has been fearful, as evidenced by the CNN Fear & Greed Index which fell to 4 on Friday, the lowest it's been since we started tracking it daily back in 2021:

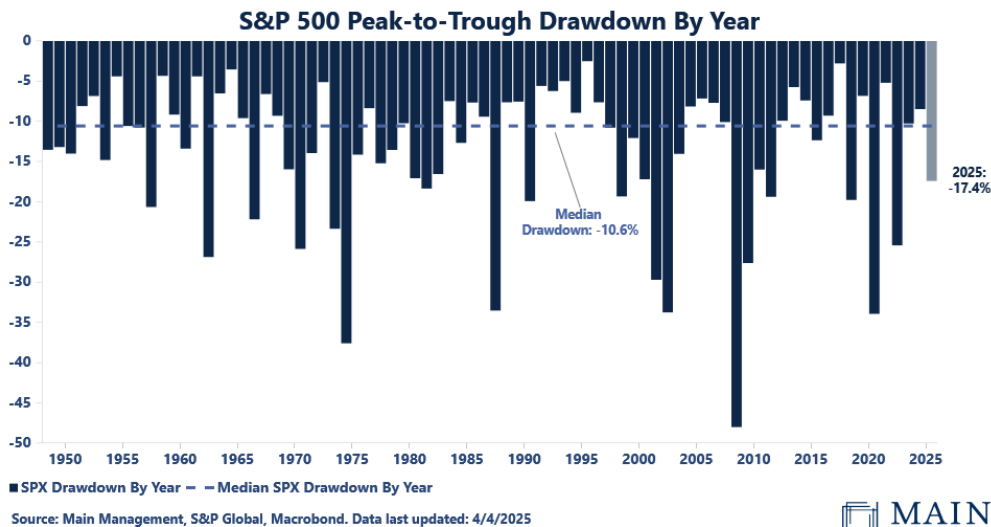




Since the F&G is a daily index, we looked at weekly forward returns from when the F&G gets more than -1.5 standard deviations below its median (49). Forward returns are strong on average and median as you can see below... the F&G hit the -1.5std dev level on Feb 27, 2025. We're down since then but 6 and 8-week returns have been historically positive.

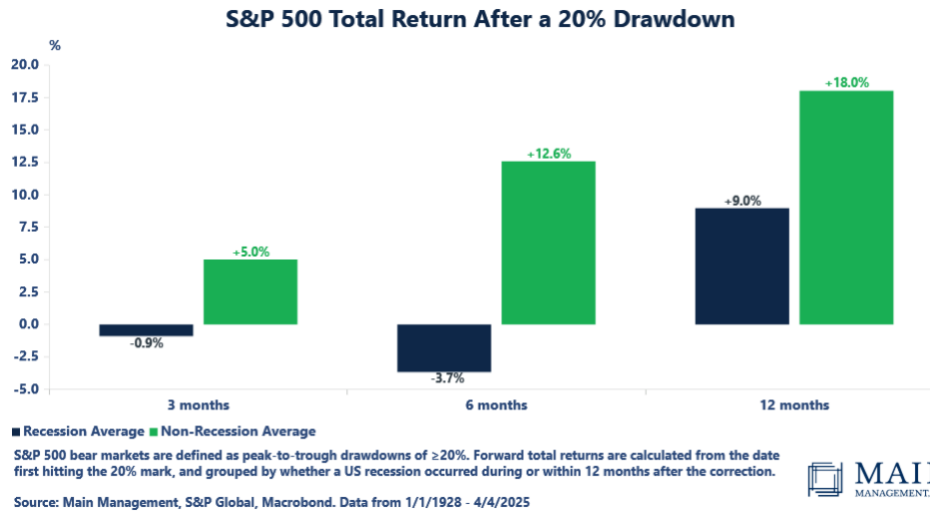


This drawdown has been very quick, but not out of order on a magnitude level... Also worth keeping in mind that algorithms / etc were not factors until recently which has exacerbated the speed at which markets move.





In the 24 bear markets in the past 100 years, 11 were recession-affiliated, 13 were not. We briefly touched on the -20% mark, and from here, forward returns are much stronger if there is no recession. But even if there is a recession, forward returns are -4% over the next 3mos, so the bulk of the pain should be behind us (historically speaking).



If you look at all historical bear markets, you can categorize them into:

- **Structural:** Triggered by financial bubbles or systemic imbalances
- **Event-Driven:** Triggered by one-off shocks
- **Cyclical:** Typically caused by rising rates, falling profits, and impending recessions

Bear Market	Type	Days to -20%	Days to Trough	Max Drawdown	Forward Returns from -20% Mark				
					1M	3M	6M	12M	24M
1940-11-09 to 1942-04-28	Event	394	535	-31.8%	2.7%	5.8%	13.4%	30.2%	53%
1946-05-29 to 1946-10-09	Cyclical	103	133	-26.6%	1.6%	3.5%	5.9%	10.3%	29.8%
1948-06-15 to 1949-06-13	Cyclical	363	363	-20.6%	3.2%	6.4%	12.1%	34.5%	62.1%
1957-07-15 to 1957-10-22	Cyclical	98	99	-20.7%	2%	6%	10.7%	35.7%	55.1%
1961-12-12 to 1962-06-26	Event	167	196	-28%	-5.4%	8.5%	10.9%	31.3%	54.1%
1966-02-09 to 1966-10-07	Cyclical	201	240	-22.2%	5.1%	8.6%	19.3%	31.2%	38.3%
1968-11-29 to 1970-05-26	Cyclical	427	544	-36.1%	4.8%	-5.5%	-7.4%	13.2%	28.9%
1973-01-11 to 1974-10-03	Structural	320	631	-48.2%	0.3%	0.6%	-7.3%	-20.3%	0.3%
1980-11-28 to 1982-08-12	Cyclical	452	622	-27.1%	2.3%	4.2%	0.7%	37.3%	61.4%
1987-08-25 to 1987-12-04	Event	55	101	-33.5%	8.3%	10.3%	22.7%	25.1%	64.7%
2000-03-24 to 2002-10-09	Structural	353	929	-49.1%	-0.9%	8.5%	-3.4%	-4.7%	-27.1%
2007-10-09 to 2009-03-09	Structural	274	517	-56.8%	1.9%	-14.7%	-26.5%	-34.2%	-6.2%
2020-02-19 to 2020-03-23	Event	22	33	-33.9%	12.7%	29.9%	39.4%	60%	85.9%
2022-01-03 to 2022-10-12	Cyclical	161	282	-25.4%	2%	7.3%	6%	13.4%	46%

Summary Statistics by Bear Market Type

Category	Count	Avg Days to -20%	Avg Days to Trough	Avg Max Drawdown	Avg Forward Returns from -20% Mark				
					1M	3M	6M	12M	24M
All Bear Markets	14	242.1	373.2	-32.9%	2.9%	5.7%	6.9%	19.5%	39.2%
Event-Driven	4	159.5	216.3	-31.8%	4.6%	13.6%	21.6%	36.6%	64.9%
Cyclical	7	257.9	326.1	-25.5%	3.0%	4.4%	6.8%	25.1%	45.9%
Structural	3	315.7	692.3	-51.4%	0.4%	-1.9%	-12.4%	-16.4%	-11.0%



Here's recovery time from the pre-bear peak, as well as the -20% mark:

Bear Market Type	Count	Avg Max Drawdown	Avg Recovery Time (Days)	
			-20% to New High	Peak to New High
All Bear Markets	14	-32.9%	832 days (2y 3m)	1074.1 days (2y 11m)
Event-Driven	4	-31.8%	475.8 days (1y 3m)	635.3 days (1y 9m)
Cyclical	7	-25.5%	637 days (1y 9m)	894.9 days (2y 5m)
Structural	3	-51.4%	1762 days (4y 10m)	2077.7 days (5y 8m)

Takeaways

1. Remind clients, the history of the market is littered with other periods of volatility, the asset allocation you created for them reflects their risk tolerance and takes into account these types of volatile markets.
2. As reflected in the tables above, if we do go into a recession, the average recession duration since WWII has been just 10 months.
3. Some clients may be fearful because, outside of Covid, the last recession we had was the Great Financial Crisis. The imbalances that contributed to that recession are not in play this time. We do not anticipate anywhere near similar depth / breadth if we enter a recession.
4. It is also wise to remember the degree of politics at play in this process. The scope of tariffs, the negotiations of those tariffs, the speed in which we got to this point can change rapidly, which is why we feel it is important to be in the market, as opposed to *timing* the market.

Again, don't hesitate to reach out or schedule a call if you have any questions.

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