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Putting "panic" in perspective

6 facts to help dispel the fear and 10 key reminders for investors

6 facts

1. In January of 1970, a bear market started that lasted until May of that year. The market during that time fell 35.4%. In May, a bull market began that lasted until January 1973 and brought a 124% gain in stock values.
2. In April 1981, another bear market commenced that lasted nearly a year and brought a 24.7% decline. Then, in March of 1982, the market began to rise and continued doing so until June 1983, bringing an overall gain of 71.7%.
3. July 1990 brought a downward market that lasted three months, until October 1990, at which point equity prices had fallen 22.4%. Then, in the same month, a new, now legendary, bull market took hold and lasted nearly eight years, until July 1998, delivering a 330.7% gain for the market.
4. Dating back to 1975, 8 of the last 15 bull markets have started in the autumn months of September, October, and November.
5. Since 1957 there have been 15 bear markets, as measured from peak to trough, and on average they have lasted 10 months and brought an average decline of 29.4%.
6. The duration and degree of these bear markets were significantly less than the duration and magnitude of bull markets. During the same period, there were also 15 bull markets, which lasted, on average, 30 months and brought average gains of 112.5%.

10 key reminders for investors

1. Panics are based on emotion, and emotions can take on a life of their own. A herd-like mentality develops, and words that start to be used repetitively — such as "collapse," "endless," and "plunge" — only feed the frenzy. But it is important to remember that emotions are not your friend when it comes to making big decisions about your savings, retirement, or college money.
2. Individuals and the professional managers they hire to oversee their long-term assets are investors, not traders. There is a big difference. For investors, what matters is the long run, not today's events.
3. No one is alone in their concerns. We all have lots of company.

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4. Panics and downturns are part of the free market system. They have occurred throughout history. While this knowledge may not ease the pain, these sharp, sudden downturns still have to be recognized as part of a cycle that often includes years of slow and steady upward progress.
5. Historically, bear markets, recessions, and market panics have been relatively brief in comparison with the duration of bull markets. Since World War II, economic expansions have, on average, lasted five times longer than recessions, and bull markets have been twice as long as bear markets.
6. Cyclical downturns have historically been connected to credit excesses. This time is no different. Prudence in borrowing will be rewarded in the next cycle.
7. Collapses do not bring everything to a halt. Even during the worst of down times, people still go about their lives, raising children, going to work, and planning for the future.
8. Risk-seeking in the markets has vanished. But the pursuit of risk is a normal state for the markets. U.S. Treasury bills may look smart today, but at some point risk-seeking will return. It always has.
9. The largest government bodies in the world have acted to lessen the severity of this crisis.
10. You cannot control events. You can only control your response to them.

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