

Historical Events and Market Volatility

Rallies Often Followed Market Drops from Major Crises

Historical events can have a significant impact on financial markets. Uncertainty often clouds judgment, sending some investors into a panic. But history has shown that significant historical events do not necessarily spell doom for investors. While past performance cannot guarantee comparable future results, stock markets have rallied in the weeks and months following some major historical events during the last century.

Crisis Events, Dow Declines and Subsequent Performance

The Dow dropped by a median -2.9% during crises over the last century—but usually rallied later.

| Event | Reaction Dates | % Gain/ Loss | 22 Days Later | 63 Days Later | 126 Days Later |
|--|-------------------|-----------------|------------------|------------------|-------------------|
| Stock Exchange Closed (World War I) | 07/22/14–12/24/14 | -10.2% | 10.0% | 6.6% | 21.2% |
| Woodrow Wilson Stroke | 09/25/19–09/26/19 | 1.3 | 5.7 | -4.5 | -16.0 |
| Bombing at JPMorgan Office | 09/15/20–09/30/20 | -5.5 | 2.4 | -14.9 | -9.5 |
| Fall of France | 05/09/40–06/22/40 | -17.1 | -0.5 | 8.4 | 7.0 |
| Pearl Harbor | 12/06/41–12/10/41 | -6.5 | 3.8 | -2.9 | -9.6 |
| Truman Upset Victory | 11/02/48–11/10/48 | -4.9 | 1.6 | 3.5 | 1.9 |
| Korean War | 06/23/50–07/13/50 | -12.0 | 9.1 | 15.3 | 19.2 |
| Eisenhower Heart Attack | 09/23/55–09/26/55 | -6.5 | 0.0 | 6.6 | 11.7 |
| Suez Canal Crisis | 10/30/56–10/31/56 | -1.4 | 0.3 | -0.6 | 3.4 |
| Sputnik | 10/03/57–10/22/57 | -9.9 | 5.5 | 6.7 | 7.2 |
| Cuban Missile Crisis | 10/19/62–10/27/62 | 1.1 | 12.1 | 17.1 | 24.2 |
| JFK Assassination | 11/21/63–11/22/63 | -2.9 | 7.2 | 12.4 | 15.1 |
| Martin Luther King Assassination | 04/03/68–04/05/68 | -0.4 | 5.3 | 6.4 | 9.3 |
| United States Bombs Cambodia | 04/29/70–05/14/70 | -7.1 | 0.4 | 3.8 | 13.5 |
| Kent State Shootings | 05/01/70–05/26/70 | -14.0 | 9.9 | 20.3 | 20.7 |
| Arab Oil Embargo | 10/16/73–12/05/73 | -18.5 | 9.3 | 10.2 | 7.2 |
| Nixon Resigns | 08/07/74–08/29/74 | -17.6 | -7.9 | -5.7 | 12.5 |
| Iranian Hostage Crisis | 11/02/79–11/07/79 | -2.7 | 4.7 | 11.1 | 2.3 |
| U.S.S.R. in Afghanistan | 12/24/79–01/03/80 | -2.2 | 6.7 | -4.0 | 6.8 |
| Hunt Silver Crash | 02/13/80–03/27/80 | -15.9 | 6.7 | 16.2 | 25.8 |
| Falkland Islands War | 04/01/82–05/07/82 | 4.3 | -8.5 | -9.8 | 20.8 |
| Beirut Bombing | 10/21/83–10/23/83 | 0.0 | 2.1 | -0.5 | -6.9 |
| United States Invades Grenada | 10/24/83–11/07/83 | -2.7 | 3.9 | -2.8 | -3.2 |
| United States Bombs Libya | 04/14/86–04/21/86 | 2.8 | -4.3 | -4.1 | -1.0 |
| Stock Market Crash of 1987 | 10/02/87–10/19/87 | -34.2 | 11.5 | 11.4 | 15.0 |
| Invasion of Panama | 12/15/89–12/20/89 | -1.9 | -2.7 | 0.3 | 8.0 |
| Iraq Invades Kuwait | 08/02/90–08/23/90 | -13.3 | 0.1 | 2.3 | 16.3 |
| Persian Gulf War | 01/16/91–01/17/91 | 4.6 | 11.8 | 14.3 | 15.0 |
| Gorbachev Coup | 08/16/91–08/19/91 | -2.4 | 4.4 | 1.6 | 11.3 |
| ERM United Kingdom Currency Crisis | 09/15/92–10/16/92 | -4.6 | 0.6 | 3.2 | 9.2 |
| World Trade Center Bombing | 02/25/93–02/27/93 | -0.3 | 2.4 | 5.1 | 8.5 |
| Oklahoma City Bombing | 04/18/95–04/20/95 | 1.2 | 3.9 | 9.7 | 12.9 |
| Asian Stock Market Crisis | 10/07/97–10/27/97 | -12.4 | 8.8 | 10.5 | 25.0 |
| United States Embassy Bombings in Africa | 08/06/98–08/10/98 | -1.8 | -4.0 | 4.8 | 10.4 |
| U.S.S. Cole Yemen Bombing | 10/11/00–10/18/00 | -4.2 | 6.6 | 6.1 | 6.1 |
| Sept. 11 Terrorist Attacks | 09/10/01–09/21/01 | -14.3 | 13.4 | 21.2 | 24.8 |
| Enron Testifies Before Congress | 01/31/02–02/07/02 | -3.0 | 10.5 | 4.3 | -9.5 |
| Bali Nightclub Bombing | 10/11/02–10/13/02 | 0.3 | 6.6 | 12.3 | 6.7 |
| Iraq War | 03/19/03–05/01/03 | 2.3 | 5.5 | 9.2 | 15.6 |
| Madrid Terrorist Attacks | 03/10/04–03/24/04 | -2.4 | 3.9 | 3.9 | -0.1 |

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Think Before You React

Prudent investors know the potential benefits of long-term investing. By reacting to headlines and selling off investments, investors may be selling at market lows—in addition to missing out on potential gains when the markets recover. Selling may also trigger unnecessary tax consequences and transaction costs.

Talk to Your Financial Advisor

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