Bull & Bear Markets

S&P/TSX Composite Index to December 2013
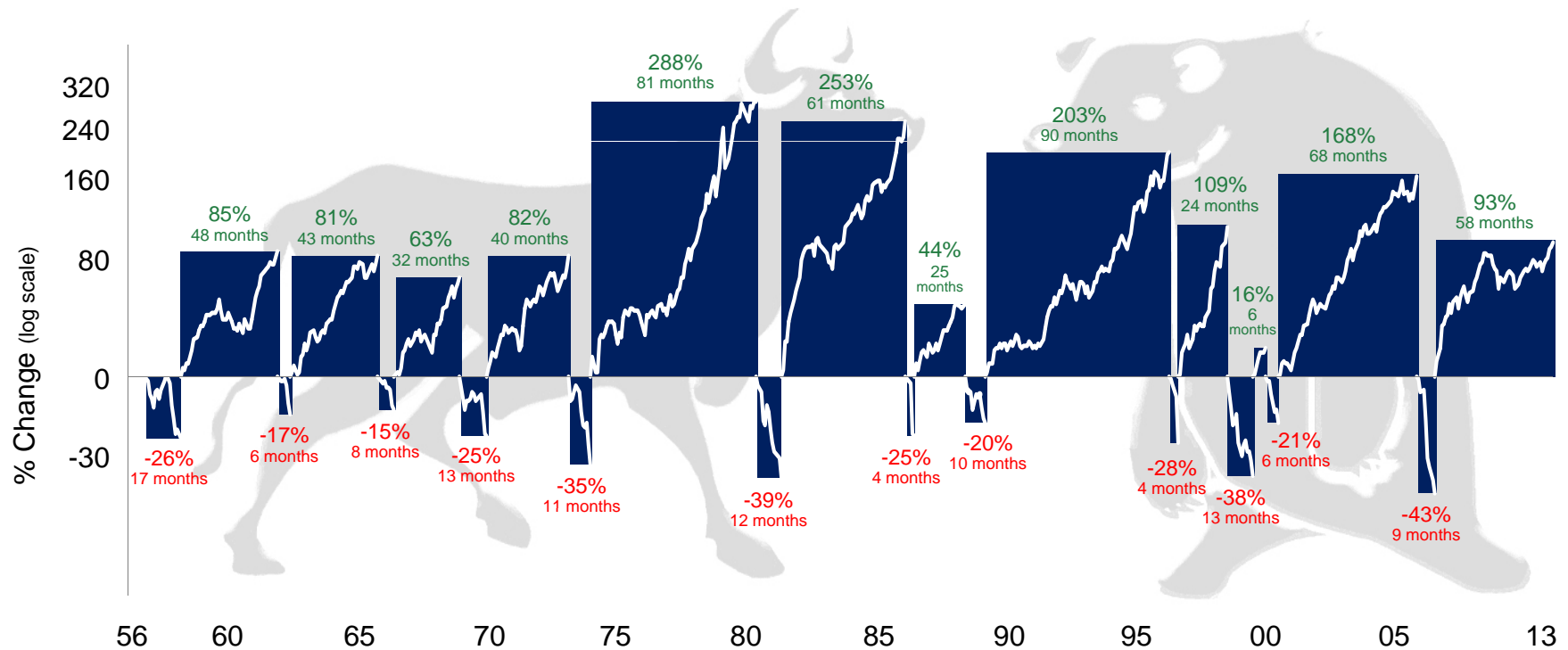
Source: Mackenzie Investments (Bloomberg: month-end data points as at December 31, 2013; total return, local currency)

Bull & Bear Markets S&P/TSX

The Risks and Rewards of Investing

- This chart represents the bull and bear markets in the S&P/TSX Index since 1956. All bars above the line are bull markets; all bars below are bear markets.

- For the purposes of this illustration, a bull (bear) market is defined as a positive (negative) move greater than 15% that lasts at least 3 months.

- The first bar represents a bear market which, at its lowest point, dropped to -26% and lasted 17 months. This was followed by a bull market rising 85% and lasting 48 months.

- Since 1956 there have been 12 bull markets and 12 bear markets. As can be seen from the chart, bull markets typically last longer and provide a more significant percentage change.

- Bear markets during this period have averaged -28% and lasted only 9 months. Bull markets during this period have averaged 124% and lasted 48 months. This is the reward for accepting the risk of bear markets.

Investor Behaviour

- According to the chart, markets spend more time in positive territory (bull) than negative (bear).

- Bull markets are, on average, longer and more intense, providing a more significant percentage change.

- On average bear markets are more brief, and yet engender fear. It is during these periods that there are significant investment 'bargains' to be found.

- Investor discipline during bear markets is critical.

Mackenzie INVESTMENTS