Recessions, expansions . . . and what does well

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Why . . .

Clients react very poorly to surprise

We have a recession coming

- Maybe it's already started

- Or . . . maybe it won't start for several more years
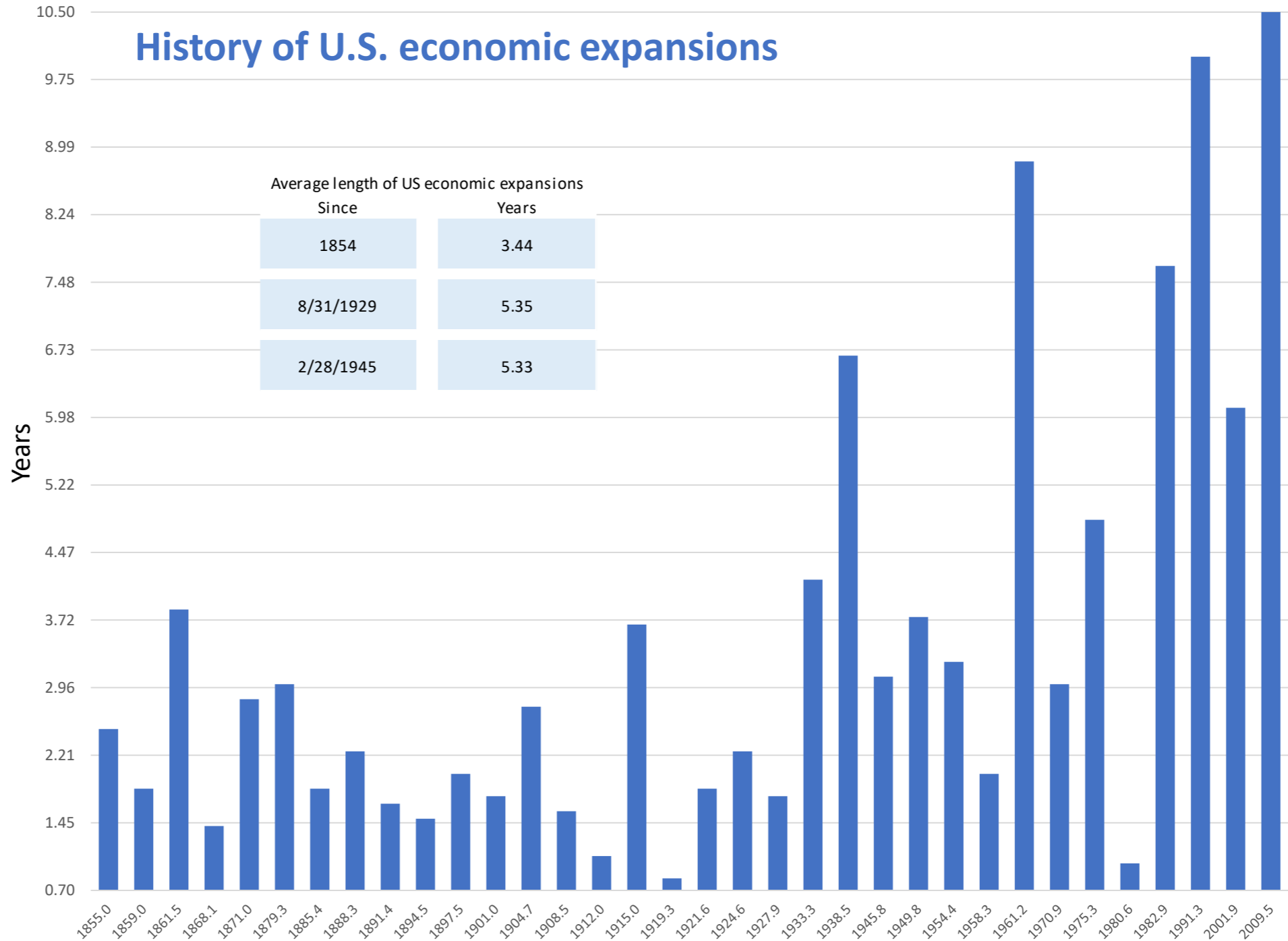
So what is a recession

- Sometimes the press says that it is two consecutive quarters during which GDP falls

- This is FALSE

- Economic recessions are determined by the NBER (National Bureau for Economic Research)
- Go to https://www.nber.org/research/data/us-business-cycle-expansions-and-contractions
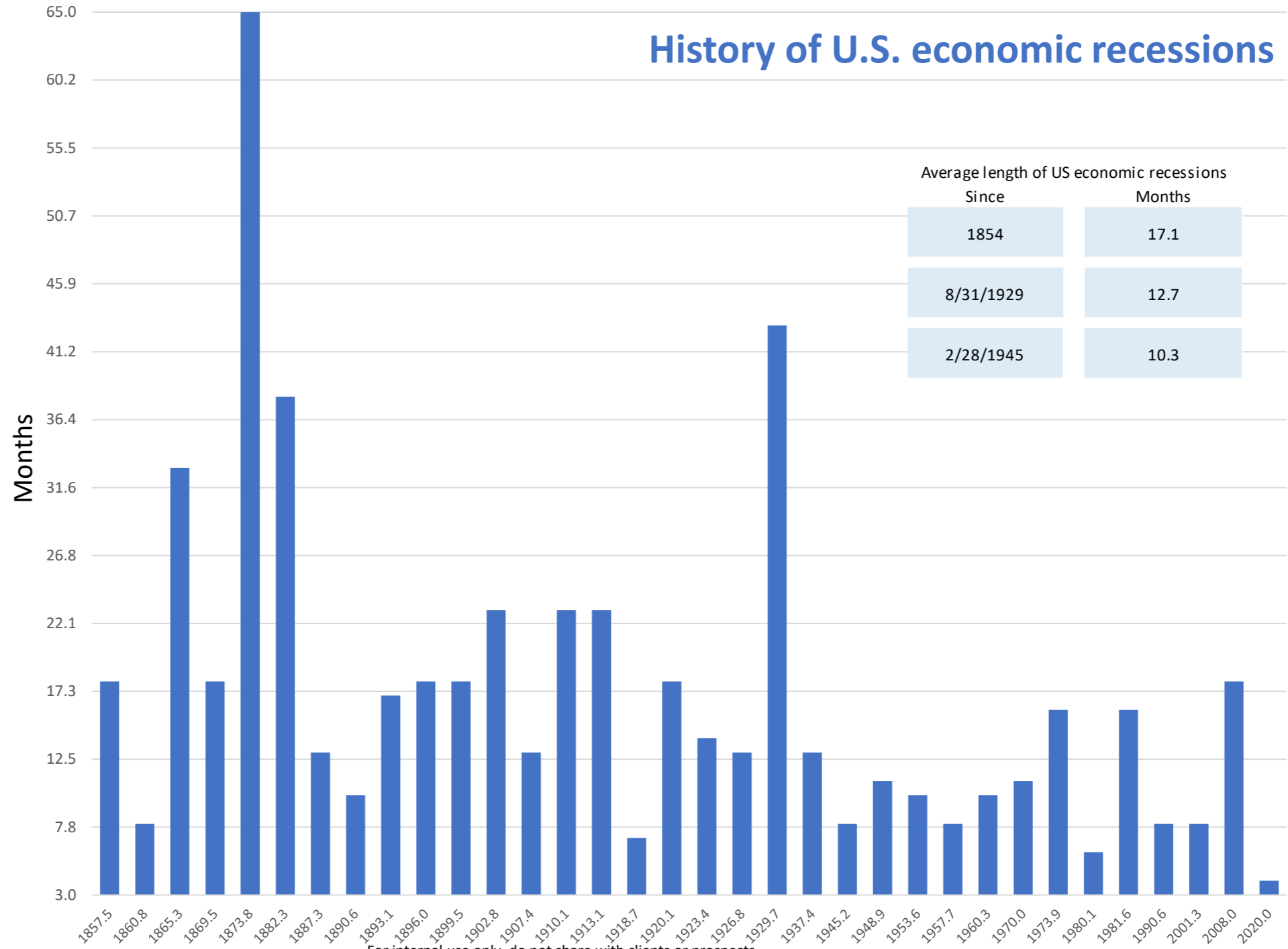
History of U.S. economic recessions

Average length of US economic recessions	
Since	Months
1854	17.1
8/31/1929	12.7
2/28/1945	10.3

Recessions

Average length of US economic recessions

Since	Months
1854	17.1
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History of U.S. economic expansions

Average length of US economic expansions

Since	Years
1854	3.44
8/31/1929	5.35
2/28/1945	5.33

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Average length of US economic expansions

Since	Years
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But what does well . . . during each

Stocks

Bonds

Commodities

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- Spans the time period 6/30/1926 through 4/30/2022

- Uses NBER definitions for recessions and expansions

Recession versus expansion

- U.S. has spent **18%** of the time in recession

- And **82%** of the time in expansion

- Recessions are very common . . . . but only last 10.3 months (on average since WWII)

- All of the returns are adjusted for inflation

- Inflation was subtracted out

- WHY?

- Because inflation has varied to such an extreme extent over the last 100 years, that without inflation adjustment the numbers are meaningless

Different asset categories

Asset category	Annualized returns during	
	Recessions	Expansions
100 largest companies (S&P 100 Index)	-5.3	10.1
10-year US Treasury bonds	9.8	0.3
30-year US Treasury bonds	10.9	0.5
5-year US Treasury bonds	8.8	0.1
90-day US Treasury bills	3.2	-0.2
British stocks	-8.6	8.9
Diversified commodities	-12.6	5.9
Dow Jones corporate bonds (investment grade)	6.8	2.7
Dow Jones Industrials (30 extra large companies)	-6.2	10.2
Emerging market equities	-6.0	8.4
Gold	4.7	1.2
Health Care - S&P 500	2.9	9.8
International developed country stocks	-8.1	7.6
Japanese stocks	-11.1	6.7
Large cap growth	-5.6	9.3
Large cap value	-9.6	11.9
Long-term AAA-rated corporate bonds	8.0	1.8
Municipal bonds AAA-rated	6.6	-0.3
Oil	-14.7	4.2
Palladium	-14.8	4.4
Platinum	-18.2	3.6
Small cap	-11.6	13.0
Utilities - S&P 500	-3.5	8.0

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Asset category	Annualized returns during	
	Recessions	Expansions
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10-year US Treasury bonds	9.8	0.3
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Health Care - S&P 500	2.9	9.8
Utilities - S&P 500	-3.5	8.0
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Expansions - worst and best

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Investor behavioral biases that are most problematic today

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11:00 a.m. EASTERN

Important Disclosures