

JULEX CAPITAL

Recessions, expansions . . . and what does well

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Why . . .

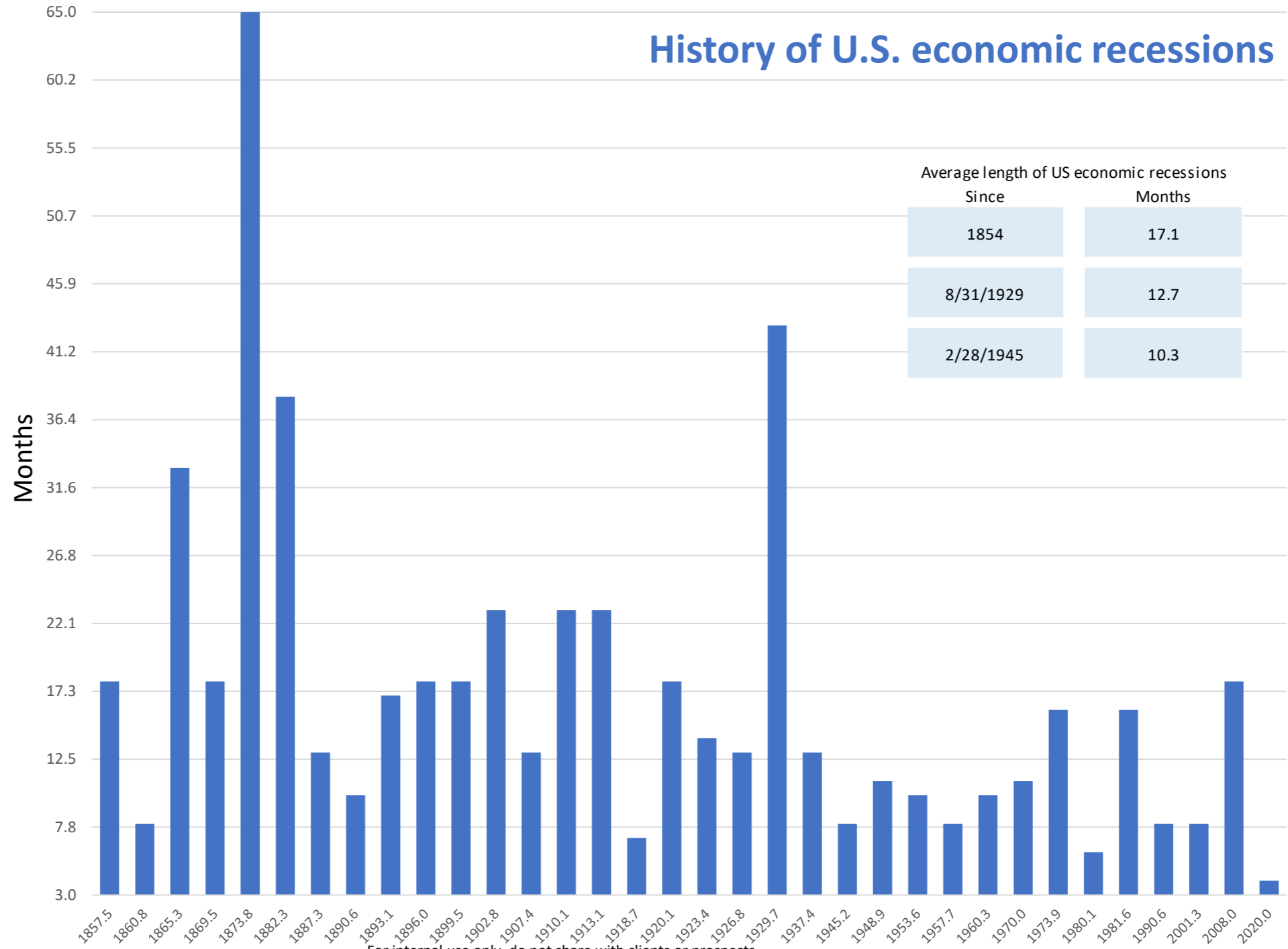
Clients react very poorly to surprise

We have a recession coming

- Maybe it's already started
- Or . . . maybe it won't start for several more years

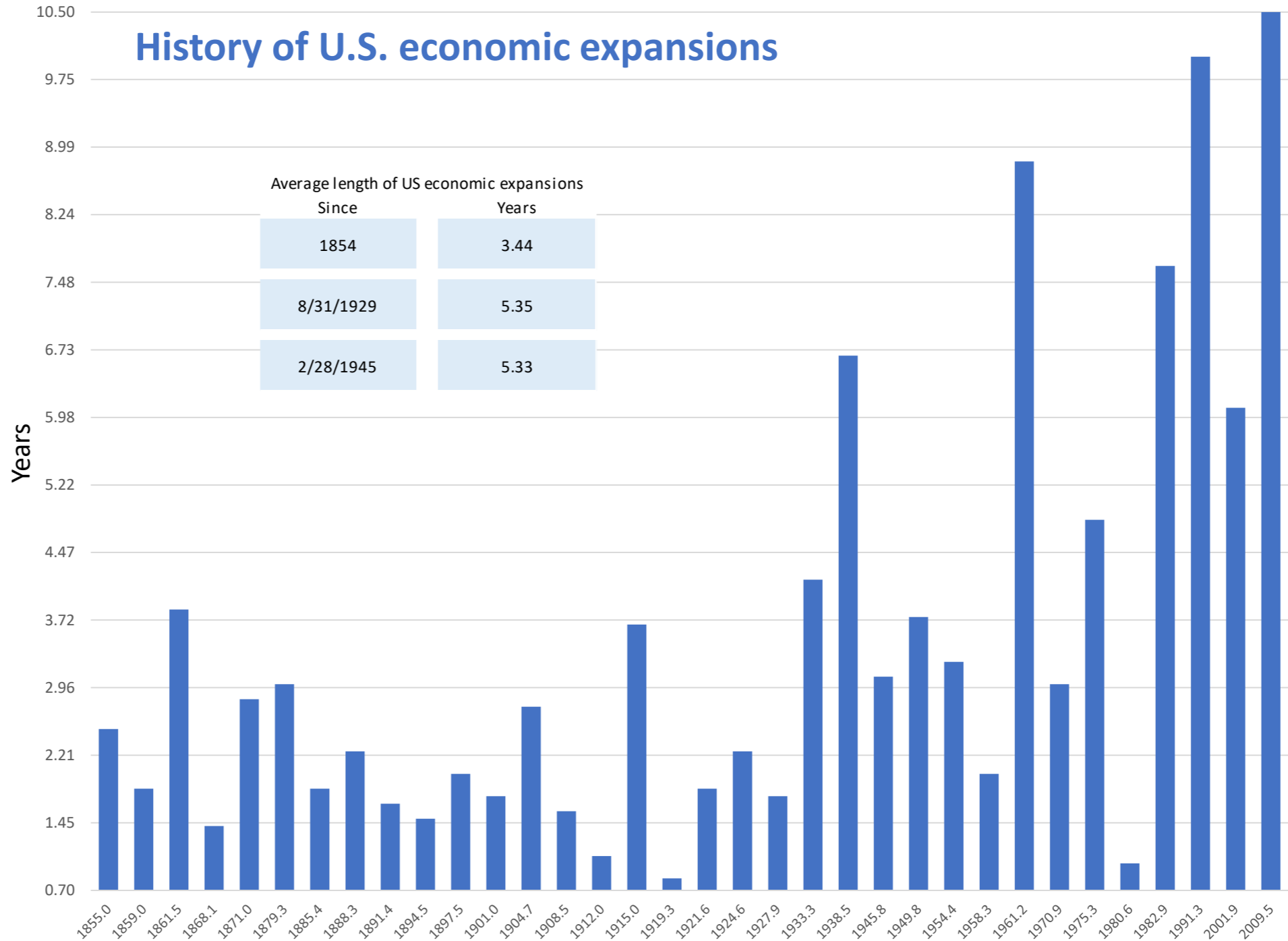
- Sometimes the press says that it is two consecutive quarters during which GDP falls
- This is FALSE
- Economic recessions are determined by the NBER (National Bureau for Economic Research)
- Go to <https://www.nber.org/research/data/us-business-cycle-expansions-and-contractions>

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



Average length of US economic expansions

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

But what does well . . . during each

Stocks

Bonds

Commodities

The data It's always about the data

- Spans the time period 6/30/1926 through 4/30/2022
- Uses NBER definitions for recessions and expansions

- 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

Recessions - worst and best

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

Expansions - worst and best

Asset category	Annualized returns during	
	Recessions	Expansions
Small cap	-11.6	13.0
Large cap value	-9.6	11.9
Dow Jones Industrials (30 extra large companies)	-6.2	10.2
100 largest companies (S&P 100 Index)	-5.3	10.1
Health Care - S&P 500	2.9	9.8
Large cap growth	-5.6	9.3
British stocks	-8.6	8.9
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90-day US Treasury bills	3.2	-0.2
Municipal bonds AAA-rated	6.6	-0.3

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Investor behavioral biases that are most problematic today

Friday

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11:00 a.m. EASTERN

All data and statistics were provided by Global Financial Data, Inc. and the Kenneth R. French Data Library from Dartmouth University (unless otherwise indicated in the exhibit)

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