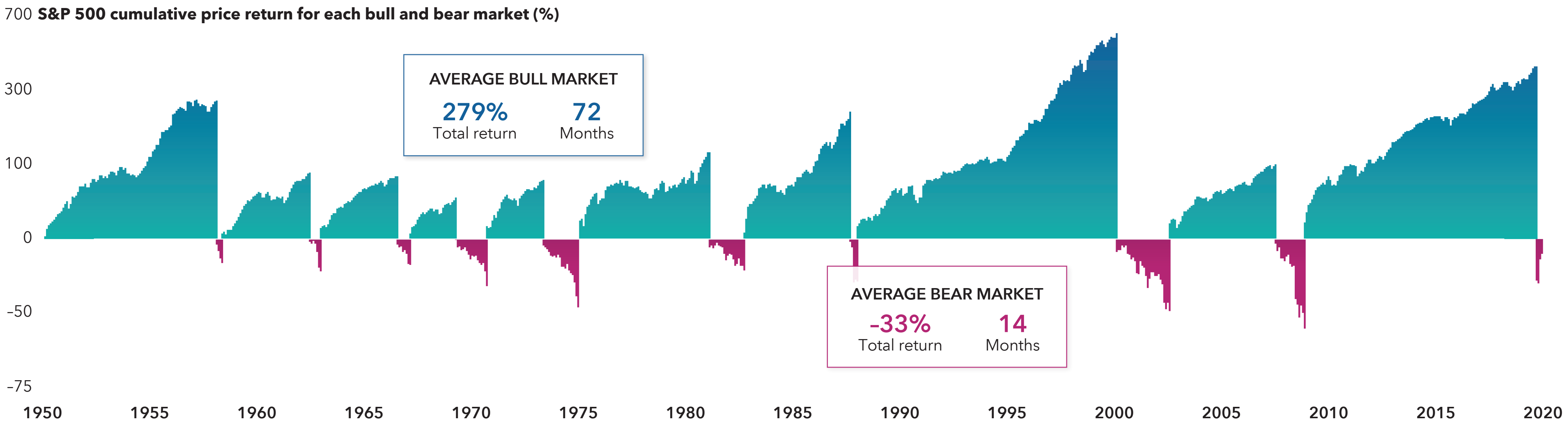
Market recoveries have been longer and stronger than downturns



Bear markets are painful, no doubt about it. And when you're in the middle of one, it feels like it's never going to end. But it's important to remember that during the post-World War II era, bull markets have been far more robust than bear markets, and they've lasted considerably longer as well.

While every market decline is unique, over the past 70 years the average bear market in the US has lasted 14 months and resulted in an average loss of 33%. By contrast, the average bull market has run for 72 months – or more than five times longer – and the average gain has exceeded 279%.

Moreover, returns have often been strongest right after the market bottoms, as investors learned in the last severe downturn. After the crash of 2008, US stocks finished 2009 with a 23% gain.

Missing a bounceback can cost you a lot, which is why it's important to consider staying invested through even the most difficult periods.

The long-term power of bull markets is hard to understate. Recoveries are rarely a smooth ride, but investors who can look past the short-term volatility and remain focused on the long-term picture have often been rewarded for their patience.

Past results are not a guarantee of future results.

SOURCES: Capital Group, RIMES, Standard & Poor's. As at 31/5/20. The 2020 bear market is considered current as at 31/5/20 and is not included in the 'average bear market' calculations. All other bear market periods are peak-to-trough price declines of 20% or more in the S&P 500. Bull markets are all other periods. Returns shown on a logarithmic scale. Returns in USD.

US equities present opportunities for stock pickers

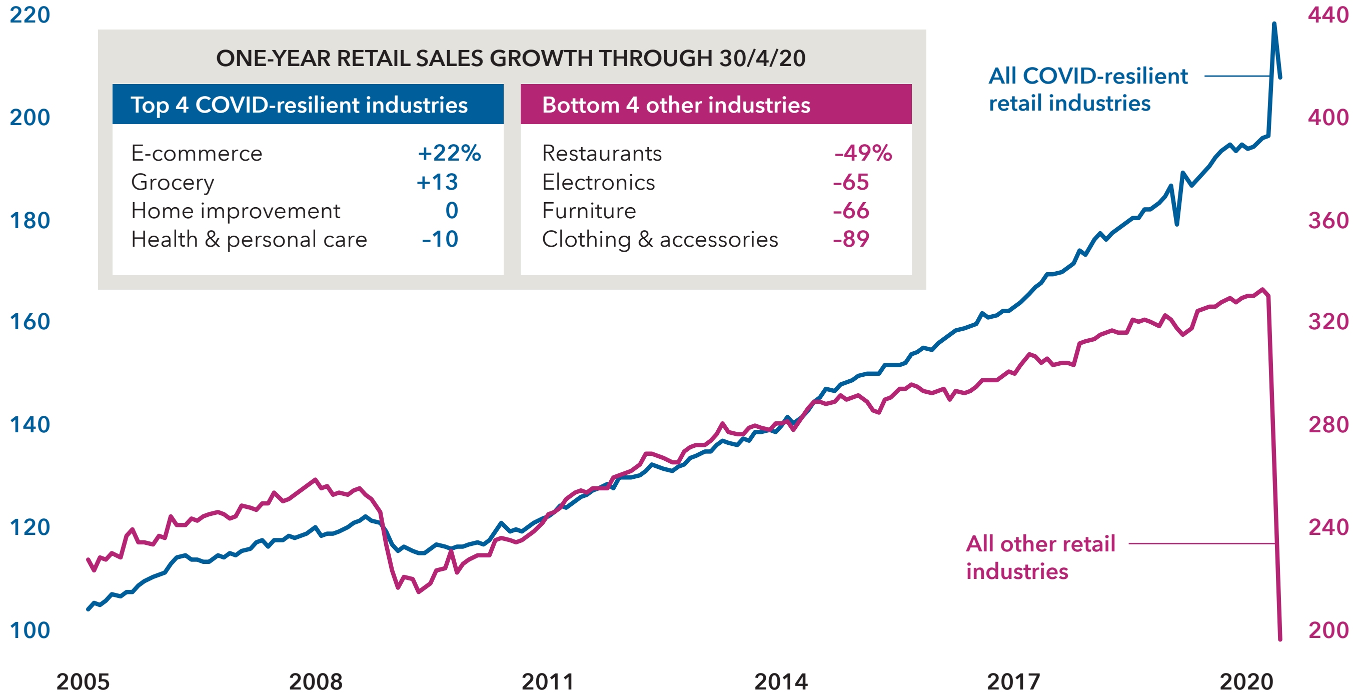
It's no surprise that business has been slow across wide swathes of the global economy. With many countries implementing strict lockdown measures, stores have shut and consumers have stayed at home. In the US, retail sales slid an unprecedented 16.4% in April, according to the US Commerce Department.

But that's not the whole story. A look beneath the surface of the US stock market shows there has been a stark divide between winners and losers in this era of limited mobility. Not surprisingly, online retailers and grocers have enjoyed strong sales growth as consumers eat in and do their shopping in front of a screen. Providers of broadband, health care, home improvement materials and educational services have also benefited from healthy demand. Conversely, restaurants, travel and leisure companies, and aerospace companies have seen sales evaporate.

"Some of this activity reflects an acceleration of existing trends, some is temporary and some represents fundamental shifts in behaviour," says Rob Lovelace, Capital Group equity portfolio manager, so selective investing will be critical going forward. "Our job as active investors is to seek to identify the long-term winners and losers," he says.

A great divide has opened between winners and losers

US retail sales (billions USD)



SOURCES: Refinitiv Datastream, US Census Bureau. As at 30/4/20. COVID-resilient retail includes e-commerce, health & personal care, grocery, alcohol and home improvement. Top and bottom retail industries do not include those that had not reported 30/4/20 sales growth, as at 31/5/20.