



Richard  
Bernstein  
Advisors

# RBA Quick Insights

The Leaders In Pactive® Management



December 26<sup>th</sup>, 2018

## A long December

*A long December and there's reason to believe  
maybe this year will be better than the last. — Counting Crows*

The market's volatility still seems to us to be more of a "run" on the equity market based on fear rather than fundamentals. The difference between a run on the banking system and a run on the stock market is that the banking system has an explicit government backstop (FDIC). In stark contrast, not only does the stock market not have a government backstop, but many of the drivers of the current volatility directly stem from government policy (trade, oil prices, the Federal Reserve, the government shutdown).

December is on pace to be one of the worst months for the S&P 500® in history. We examined the other ten times when the market has been down this dramatically in a single month and seven of them (70%) occurred during the Great Depression (1929-1939). The other three times were after the Nazi invasion of France, during the 1987 market crash and during the depths of the Financial Crisis. If you think that the current fundamental backdrop has the makings of a depression, World War III or a major financial crisis, then perhaps the magnitude of the market sell-off is reasonable. But even then, a look at subsequent returns shows that the stock market was historically up over the next 6, 12 and 24 months 70% of the time, with median gains over the next 24 months of +29%.

### December is on track for the 11<sup>th</sup> worst month for the S&P 500® in history

Rank	Month	Price Change	Next 6 months	Next 12 months	Next 24 months	Notes
1	Sep-31	-30%	-25%	-17%	+0%	Great Depression
2	Mar-38	-25%	+44%	+29%	+43%	Great Depression
3	May-40	-24%	+14%	+1%	-12%	Nazis Invade France
4	May-32	-23%	+47%	+116%	+115%	Great Depression
5	Oct-87	-22%	+4%	+11%	+35%	1987 Crash
6	Apr-32	-20%	+19%	+34%	+79%	Great Depression
7	Oct-29	-20%	+3%	-30%	-57%	Great Depression
8	Feb-33	-18%	+96%	+90%	+54%	Great Depression
9	Oct-08	-17%	-10%	+7%	+22%	Global Financial Crisis
10	Jun-30	-16%	-25%	-28%	-78%	Great Depression
11	Dec-18*	-15%	?	?	?	

Source: Richard Bernstein Advisors LLC, Bloomberg

\* As of December 24, 2018

**Dan Suzuki, CFA**  
Portfolio Strategist

**Please feel free to call your regional portfolio specialist with any questions:**

Phone: 212 692 4088

Email: [marketing@rbadvisors.com](mailto:marketing@rbadvisors.com)

***For more information About Dan Suzuki, please click [here](#).***

***Recent & Related articles:***

**[As good as it gets](#)**

**[Some thoughts on Tech volatility](#)**

**[Fear vs. Optimism](#)**

**[\(Part of\) The yield curve has inverted!!!](#)**

Dan Suzuki is registered with Foreside Fund Services, LLC which is not affiliated with Richard Bernstein Advisors LLC or its affiliates.

Nothing contained herein constitutes tax, legal, insurance or investment advice, or the recommendation of or an offer to sell, or the solicitation of an offer to buy or invest in any investment product, vehicle, service or instrument. Such an offer or solicitation may only be made by delivery to a prospective investor of formal offering materials, including subscription or account documents or forms, which include detailed discussions of the terms of the respective product, vehicle, service or instrument, including the principal risk factors that might impact such a purchase or investment, and which should be reviewed carefully by any such investor before making the decision to invest. RBA information may include statements concerning financial market trends and/or individual stocks, and are based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons. Historic market trends are not reliable indicators of actual future market behavior or future performance of any particular investment which may differ materially, and should not be relied upon as such. The investment strategy and broad themes discussed herein may be unsuitable for investors depending on their specific investment objectives and financial situation. Information contained in the material has been obtained from sources believed to be reliable, but not guaranteed. You should note that the materials are provided "as is" without any express or implied warranties. **Past performance is not a guarantee of future results.** All investments involve a degree of risk, including the risk of loss. No part of RBA's materials may be reproduced in any form, or referred to in any other publication, without express written permission from RBA. Links to appearances and articles by Richard Bernstein, whether in the press, on television or otherwise, are provided for informational purposes only and in no way should be considered a recommendation of any particular investment product, vehicle, service or instrument or the rendering of investment advice, which must always be evaluated by a prospective investor in consultation with his or her own financial adviser and in light of his or her own circumstances, including the investor's investment horizon, appetite for risk, and ability to withstand a potential loss of some or all of an investment's value. Investing is subject to market risks. Investors acknowledge and accept the potential loss of some or all of an investment's value. Views represented are subject to change at the sole discretion of Richard Bernstein Advisors LLC. Richard Bernstein Advisors LLC does not undertake to advise you of any changes in the views expressed herein.