# WHAT DEFINES A BEAR MARKET:

## Historical Perspective

A bear market occurs when a major stock index falls 20% or more from its recent peak and remains there for a sustained period. As we're seeing signs of this now with the S&P 500 hovering near bear territory at 5,062.25 (down approximately 17% from its February peak), understanding bear market dynamics becomes particularly relevant.

### Bear Market Definition & Characteristics

#### Official Definition:

- A 20% or greater decline from recent highs

#### Psychological Impact:

- Widespread pessimism, fear, and negative investor sentiment

#### Technical Indicators:

Typically accompanied by:

- Declining trading volumes
- Higher market volatility (note that the VIX recently surpassed 40 for the first time since August)
- Breakdown of key technical support levels

## Historical Bear Market Statistics for S&P 500

| Metric | S&P 500 Historical Average | Current Situation (2025) |
|---|---|---|
| Frequency | Every ~3.6 years | Last bear market: 2022 |
| Duration | 9.6 months (289 days) | Developing (S&P down 17%) |
| Decline | 36% from peak to trough | Currently down 17% |
| Recovery Time | 1.1 years to previous peak | TBD |

## Bear Market Duration & Depth

Since 1966, there have been 29 bear markets, occurring approximately every two years with an average decline of 30%. While the banking sector has already entered bear territory with a 27% decline in just 9 weeks (significantly shorter than the historical average of 24 weeks), the broader market is still approaching the official threshold.

## Notable Historical Bear Markets

### 2007-2009 (Financial Crisis):

- Duration: 17 months
- Decline: 57%
- Recovery: 4+ years

### 2000-2002 (Dot-com Bubble):

- Duration: 2.5 years
- Decline: 49%
- Recovery: 7 years

### 2020 (COVID-19):

- Duration: 33 days (shortest bear market)
- Decline: 34%
- Recovery: 5 months (unusually rapid)

### 2022 (Inflation/Rate Hikes):

- Duration: ~9 months
- Decline: ~25%
- Recovery: ~9 months

## What Signals the End of a Bear Market?

### 1. Technical Signals:

- Sustained trading above the 200-day moving average
- Higher lows and higher highs forming on charts
- Declining volatility (VIX trending lower)

### 2. Fundamental Catalysts:

- Policy shifts (monetary or fiscal)
- Improving economic data
- Stabilization of corporate earnings

### 3. Sentiment Indicators:

- Extreme bearish sentiment readings (often a contrarian indicator)
- Institutional buying returning
- Declining put/call ratios

## Current Market Context

The ongoing market decline has several distinct characteristics:

- Banking stocks have already entered bear territory with a 27% drop
- The Dow Theory turned bearish on March 14, 2025, ending a bullish period that began in July 2023
- Bearish sentiment remains elevated at 52.2%, though it recently fell 6 percentage points
- Potential policy shifts are being anticipated, with BCA Research suggesting the Trump administration may soon pivot on its tariff stance

Bear markets, while painful, are normal parts of market cycles and often create opportunities for long-term investors. Historical data suggests that markets eventually recover and reach new highs, though the timing varies significantly based on the underlying causes of the decline.

*Disclaimer: This analysis is for informational purposes only and not investment advice. Always conduct your own research.*