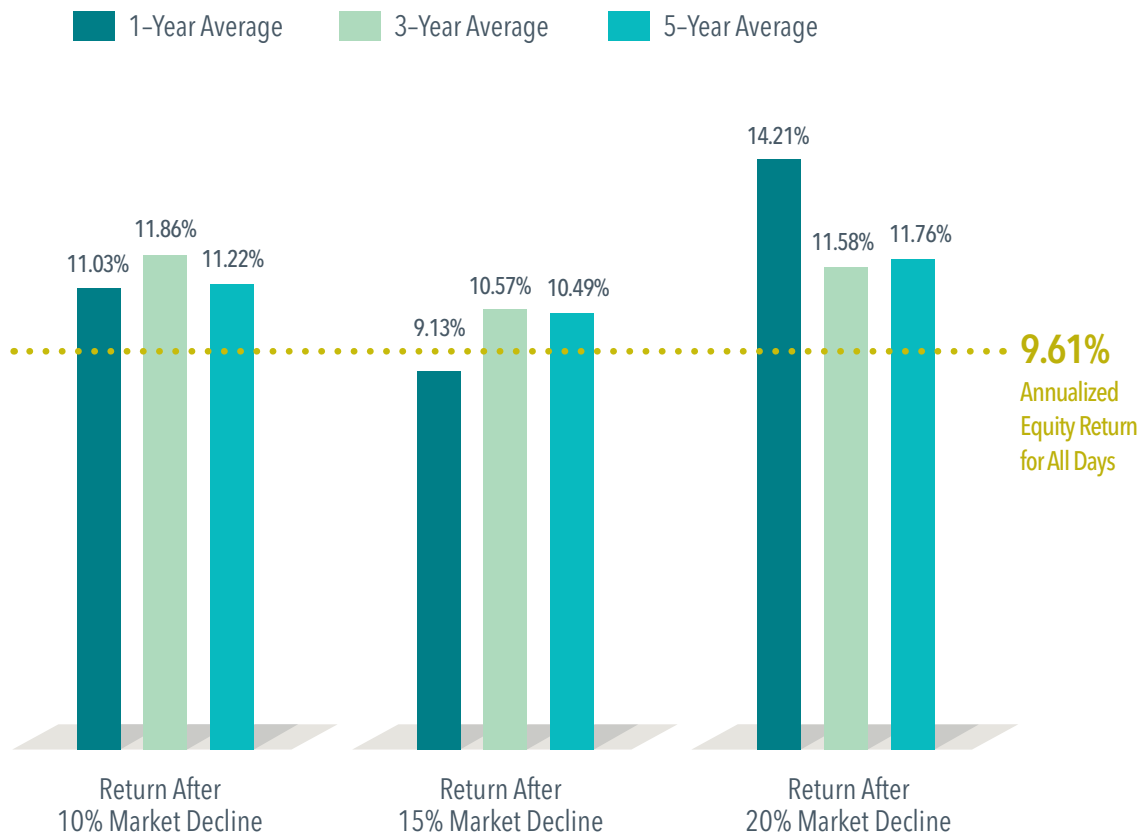


# US Equity Returns Following Sharp Downturns

FAMA/FRENCH TOTAL US MARKET RESEARCH INDEX RETURNS,  
July 1926–December 2019



Sudden market downturns can be unsettling. But historically, US equity returns following sharp downturns have been positive.

- A broad market index tracking data since 1926 in the US shows that stocks have generally delivered strong returns over one-year, three-year, and five-year periods following steep declines.
- Just one year from a decline of 10% or 20%, returns were higher than the long-term average of 9.6%. And the return after a 15% decline was within half a percentage point of the average.
- Looking three and five years later also shows annualized returns averaged higher than the long-term average.

*Sticking with your plan helps put you in the best position to capture the recovery.*

Past performance is no guarantee of future results. Short term performance results should be considered in connection with longer term performance results. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.

Periods in which cumulative return from peak is -10%, -15%, or -20% or lower and a recovery of 10%, 15%, or 20%, respectively, from trough has not yet occurred are considered downturns. Returns are calculated for the 1-, 3-, and 5-year look ahead periods beginning the day after each downturn. Whether a period is considered a downturn is analyzed on a daily basis, and therefore the 1-, 3-, and 5-year look ahead periods are overlapping. The bar chart shows the average returns for the 1-, 3-, and 5-year periods following 10%, 15% and 20% downturns. For the 10% threshold, there are 3,442 observations for 1-year look ahead, 3,396 observations for 3-year look ahead, and 3,345 observations for 5-year look ahead. For the 15% threshold, there are 3,175 observations for 1-year look ahead, 3,167 observations for 3-year look ahead, and 3,166 observations for 5-year look ahead. For the 20% threshold, there are 2,561 observations for 1-year look ahead, 2,560 observations for 3-year look ahead, and 2,560 observations for 5-year look ahead. Peaks and troughs are patterns that are developed by the price action experienced by all securities. Peak is the highest point prior to a drawdown, and trough is the lowest point after the peak. Data provided by Fama/French. add back in available at [http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data\\_library.html](http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html). Eugene Fama and Ken French are members of the Board of Directors of the general partner of, and provide consulting services to, Dimensional Fund Advisors LP.

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