How the equity market responds to unexpected events

Unexpected world events which have sudden, material impacts on the financial markets are nothing new. It is important to keep uncertain headlines and volatile moves in perspective by looking back at the equity market's performance during and after similarly disruptive past events. While at the time it can feel like a crisis is rapidly unfolding and the smart course of action is to move out of the way, history reveals this would have had a devastating effect on an investor's long-term returns.

Each one of the historical events and epidemics in the tables below took many by surprise and undoubtedly resulted in some investors selling at precisely the wrong time. At Northwestern Mutual Wealth Management Company, we approach the markets with the knowledge that unpredictable events happen from time to time. It is our belief that the only way to counteract the impact of these rare market shocks is to build an investment philosophy firmly rooted in proper diversification and asset allocation. Then predicting these events becomes largely unnecessary, as a properly diversified portfolio is equipped to face periods of market turmoil while still being positioned to capture strong, long-term, risk-adjusted returns.

S&P 500 performance after macro and epidemic events

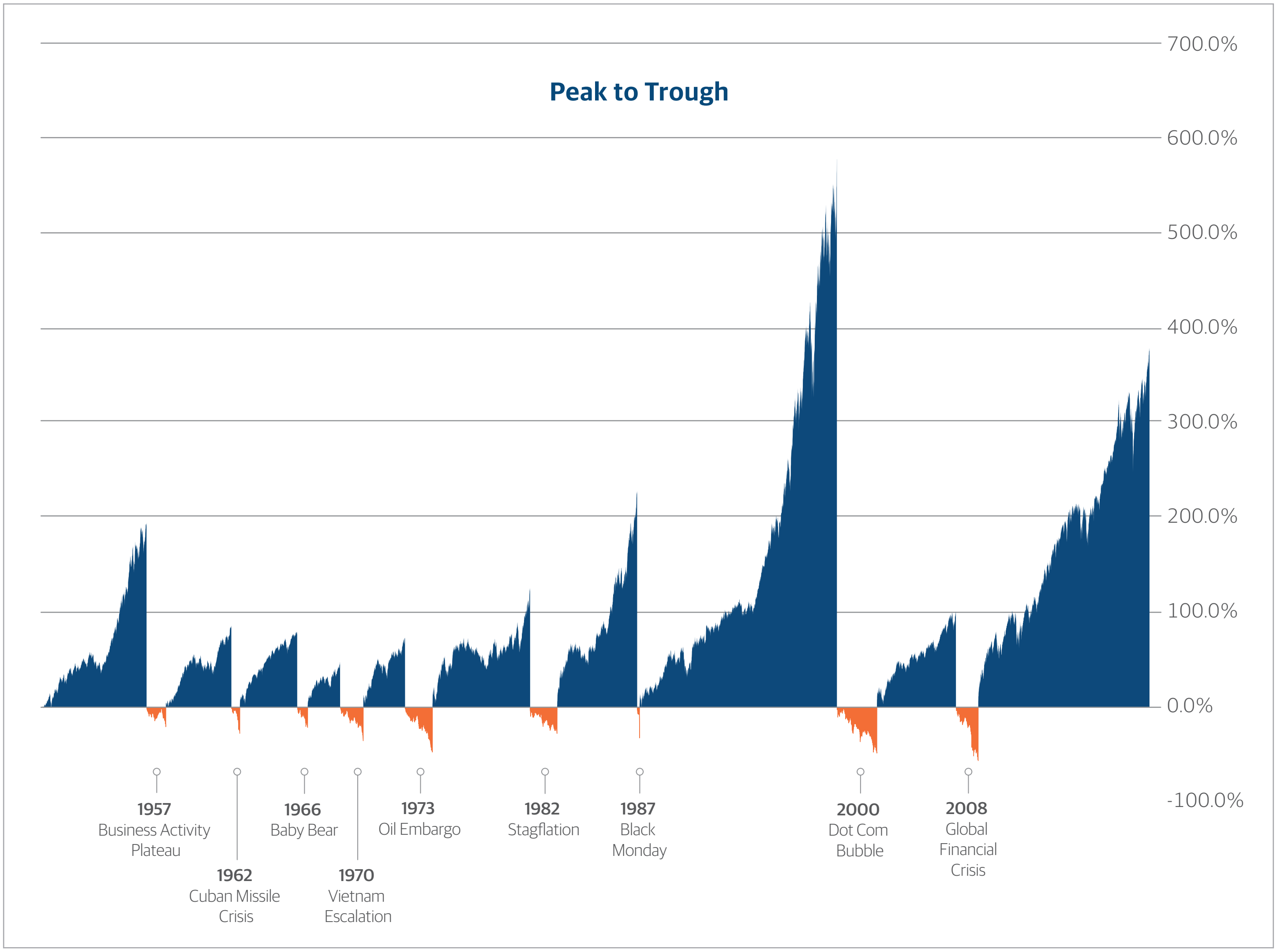
S&P 500 PERCENT GAIN OR LOSS AFTER EVENT DATE								
Event	Date of event	Day of event	1 month later	3 months later	1 year later	3 years later	5 years later	10 years later
Kennedy Assassination	11-22-1963	-2.81	6.71	11.51	23.95	14.45	52.71	43.31
1987 Stock Market Crash	10-19-1987	-20.47	6.76	10.89	23.19	38.98	84.57	319.93
Iraqi invasion of Kuwait	08-02-1990	-1.14	-8.23	-11.28	10.16	28.07	58.98	309.33
Long-Term Capital Management Bailout	09-23-1998	3.54	0.43	15.24	20.10	-9.41	-3.48	11.46
September 11 Terrorist Attack	09-11-2001	-4.92	0.45	4.05	-16.76	2.87	18.95	5.65
Lehman Bros. Bankruptcy	09-15-2008	-4.71	-23.88	-27.18	-11.74	1.38	41.53	143.56
Brexit Vote	06-23-2016	1.34	2.92	2.43	15.38	39.61	–	–
Median Return		**-2.81**	**0.45**	**4.05**	**15.38**	**14.45**	**47.12**	**93.44**

S&P 500 PERCENT GAIN OR LOSS AFTER EVENT DATE					
Epidemic	Declaration of emergency	1 month later	3 months later	6 months later	1 year later
SARS	03-12-2003	7.97	24.16	26.67	39.34
H1N1 Swine Flu	04-25-2009	2.40	13.05	24.63	40.53
MERS	05-29-2013	-2.55	-0.62	9.55	16.48
Ebola	08-08-2014	3.62	5.19	6.41	7.56
Zika	02-01-2016	2.01	6.49	11.93	17.54
Coronavirus	01-30-2020	-9.29	–	–	–
Median Return		**2.21**	**6.49**	**11.93**	**17.54**

S&P 500 data is from YCharts and is price return. Declaration of Emergency is defined as the date the World Health Organization declares a Public Health Emergency of International Concern or the U.S. Department of Health and Human Services declares a Public Health Emergency. These tables are for illustrative purposes only and not intended as a recommendation. Past performance is not a guarantee of future results. All investments carry risk including potential loss of principal and no investment strategy can guarantee a profit or completely protect against loss.

S&P 500 performance through expansions and contractions

Downside volatility can test the conviction of all investors. While the scale of down markets often feels enormous, stock market expansions historically have been longer and larger compared to contractions, highlighting the importance of staying invested through market cycles.



Talk to your Northwestern Mutual financial professional about creating a financial plan that can help protect you from day-to-day volatility and focus on the longer term.

Stocks are repenetrated as the S&P 500 PR. All data is from YCharts. Areas of expansion are defined as stock market performance from the low of a bear market to the high of the market preceding the next bear market. Areas of contraction are market performance from the prior market high to the market low in a bear market. A bear market is defined as a loss of 20% or greater from new highs. The chart is for illustrative purposes only and not intended as a recommendation. Past performance is not a guarantee of future results. All investments carry risk including potential loss of principal and no investment strategy can guarantee a profit or completely protect against loss. Indexes are unmanaged and cannot be invested in directly.