

Market Volatility:

A review of market declines—
and snapbacks



The Bear Has Emerged

When it comes to funding financial objectives, history has shown that there's no alternative to equities that provides better potential for capital growth over the long term. Over time, investors have relied on stock market gains to fund a range of goals including a comfortable retirement, higher education and a new home.

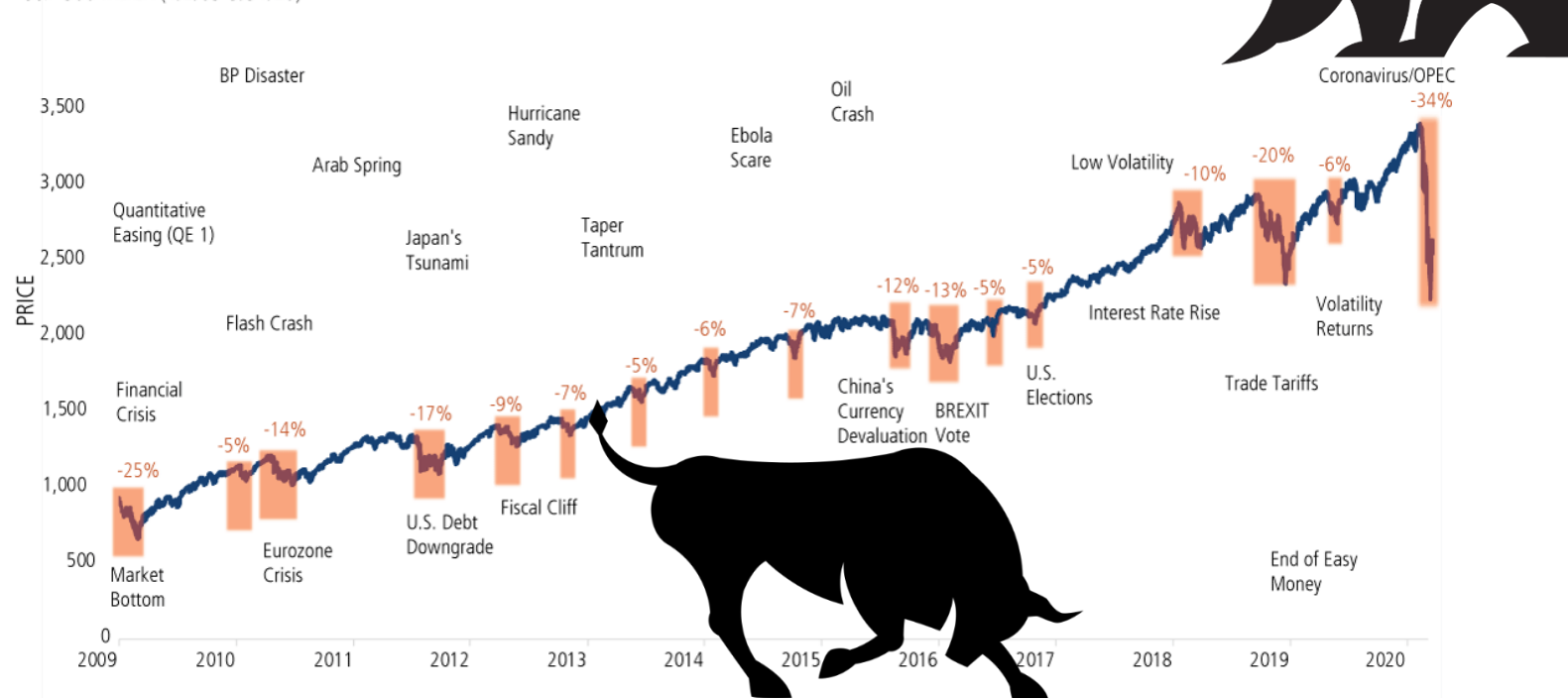
But investing involves risk, and the stock markets in the first quarter of 2020 provided a stinging reminder of this. The Bear—a term reserved for when stocks decline 20% or more—has emerged from a long hibernation.

An 11-year Bull Market Run

Investors enjoyed a bull market for an extraordinarily long 11 years. Even in the S&P 500's climb, there were periods when the market took a step back. Seventeen times the benchmark flirted with but didn't touch bear territory until March 12, 2020.

PERIODIC CORRECTIONS ARE NORMAL AND HEALTHY

S&P 500 INDEX (1/2/09-3/31/20)



Source: Calamos Investments, Bloomberg. Performance data quoted represents past performance, which is no guarantee of future results. As of March 31st, 2020. The S&P 500 Index is generally considered representative of the U.S. stock market.

Ultimately, It Was the COVID-19 Pandemic

In the last year of the longest bull market, a few challenges (e.g., trade tariffs and earnings disappointments), threatened the market's health. In the end, it was the fast-spreading coronavirus (COVID-19), accompanied by plunging oil prices, that stopped the bull's charge.

Although not to this extent, we've seen health outbreaks stop stock market investors before.

THE S&P 500 INDEX TENDS TO HISTORICALLY LOOK PAST OUTBREAKS

PERFORMANCE (TOTAL RETURN):	INITIATED DATE (MONTH-END)	1-MO RETURN (%)	3-MO RETURN (%)	6-MO RETURN (%)	12-MO RETURN (%)
Asian Flu	February-57	2.84	10.58	6.52	-1.63
Hong Kong Flu	July-68	1.15	6.57	7.01	-3.11
India Smallpox	January-74	-0.07	-5.63	-16.23	-16.52
HIV/AIDS	June-81	0.21	-10.23	-4.01	-11.52
Pneumonic Plague	August-94	-2.56	-4.00	3.83	21.27
SARS	November-02	-5.88	-9.72	3.86	15.07
Avian Flu	January-06	0.27	2.88	0.67	14.50
Dengue Fever	September-06	3.26	6.69	7.37	16.43
Swine Flu	March-09	9.57	15.92	34.01	49.75
Cholera	October-10	0.01	9.23	16.36	8.08
MERS	April-12	-6.01	-0.78	2.16	16.89
Ebola	December-13	-3.46	1.81	7.13	13.68
Measles / Rubeola	December-14	-3.00	0.95	1.23	1.37
Zika	January-16	-0.13	7.05	13.29	20.03
Measles / Rubeola	September-18	-6.84	-13.52	-1.72	4.25
Average Return		-0.71	1.19	5.43	9.90

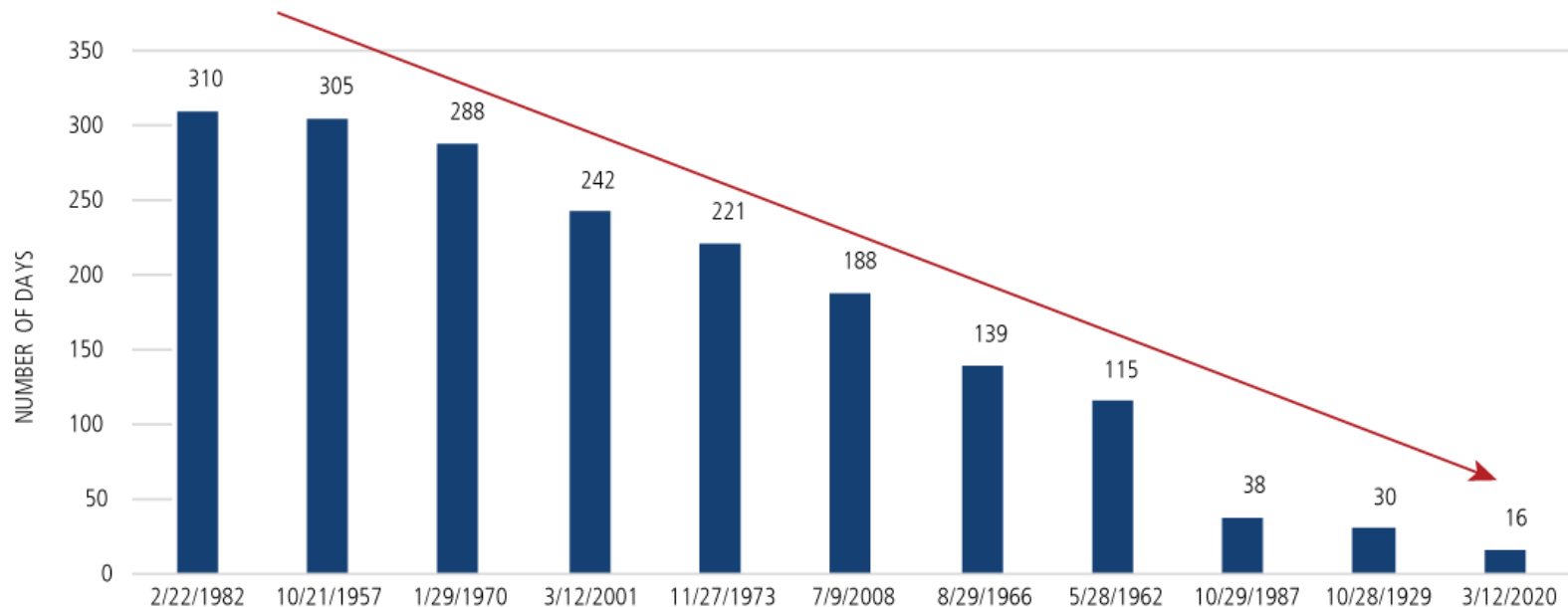
Epidemics and Pandemic episodes sourced by MarketWatch and Strategas to capture a fuller dataset. Returns calculated from month-end of publicly available outbreak dates. Source: Bloomberg. Performance data quoted represents past performance, which is no guarantee of future results. Initial outbreak dates source: Asian Flu: Encyclopedia Britannica; Hong Kong Flu: Encyclopedia Britannica; India Smallpox: World Health Organization; HIV/AIDS: CDC; Pneumonic Plague: CDC; SARS: Wikipedia; Avian Flu: Wikipedia; Dengue Fever: NDTV; Swine Flu: CDC; Cholera: Foreign Policy, MERS: CDC; Ebola: New England Journal of Medicine; Measles/Rubeola: CDC; Zika: NPR; Measles/Rubeola: Discover. The S&P 500 Index is generally considered representative of the U.S. stock market.

The Crash Was Fast

When the market crashed, its descent was fast and furious.

S&P 500 CLOSED IN A BEAR MARKET IN A RECORD-SETTING 16 DAYS

DAYS FOR S&P 500 TO FALL 20% FROM PEAK



Past performance is no guarantee of future results. The S&P 500 Index is generally considered representative of the U.S. stock market. Source: FactSet, 3/12/2020

Been Here, Done That

No one alive will ever forget this pandemic. Similarly, in speed and depth, this market correction has already earned its place in investment history books.

But, the U.S. stock market has endured multiple market shocks before, and recovered.

S&P 500 MARKET DECLINES AND RECOVERIES SINCE WORLD WAR II

EVENT	CLOSING LEVELS			BOTTOM			DAYS TO RECOVER
	PRIOR DAY	NEXT DAY	% CHG.	LEVEL	DAYS	% CHG.	
Lehman Bankruptcy: 9/15/08	1251.70	1192.70	(4.7)	676.53	121	(46.0)	285
Nixon Resignation: 8/8/74	82.65	81.57	(1.3)	62.28	39	(24.6)	143
Program Trading: 10/19/87	282.70	224.84	(20.5)	223.92	33	(20.8)	223
Terrorist Attacks: 9/11/01	1092.54	1038.77	(4.9)	965.80	5	(11.6)	19
Pearl Harbor Attack: 12/7/41	9.38	8.97	(4.4)	8.37	18	(10.8)	257
Collapse of LTCM: 9/23/98	1066.09	1042.72	(2.2)	959.44	11	(10.0)	9
Iraq's Invasion of Kuwait: 8/2/90	355.52	351.48	(1.1)	334.43	2	(5.9)	30
Flash Crash: 5/6/10	1165.87	1128.15	(3.2)	1110.88	1	(4.7)	4
Madrid bombing: 3/10/04	1140.58	1123.89	(1.5)	1093.95	10	(4.1)	18
Japanese Tsunami: 3/11/11	1304.28	1296.39	(0.6)	1256.88	3	(3.6)	6
Kennedy assassination: 11/22/63	71.62	69.61	(2.8)	69.61	1	(2.8)	2
Cuban missile crisis: 10/22/62	54.96	53.49	(2.7)	53.49	1	(2.7)	5
OPEC oil embargo: 10/17/73	111.30	110.05	(1.1)	109.16	6	(1.9)	10
Reagan shooting: 3/30/81	136.30	134.70	(1.2)	134.70	1	(1.2)	4

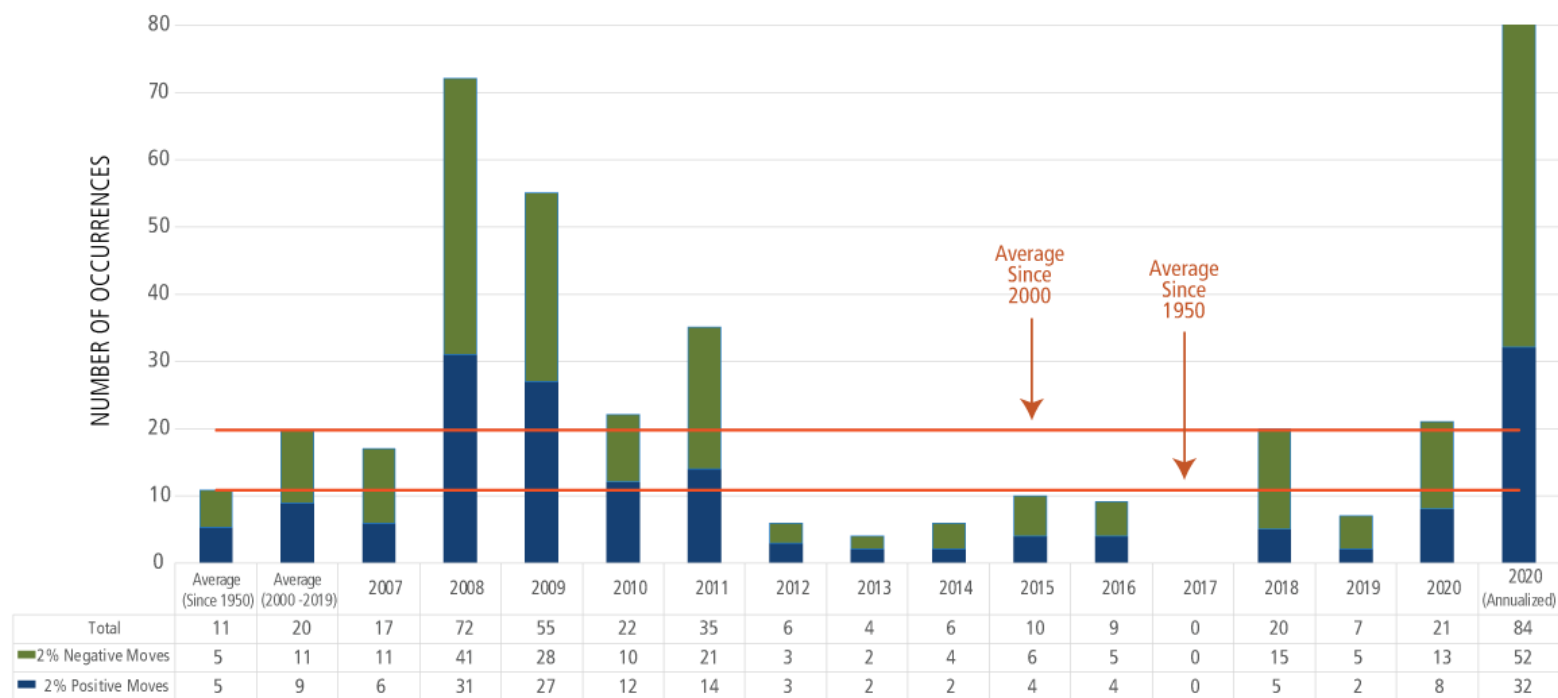
Past performance is no guarantee of future results. The S&P 500 Index is generally considered representative of the U.S. stock market.
Source: S&P Capital IQ

Volatility Used to Be a Good Thing

Unfortunately, as the Great Financial Crisis of 2008-2009 became a distant memory, some investors had become lulled into a false sense of security. When markets were volatile in the last 11 years, it was most often to the upside. It's stunning to recall that the S&P 500 made 13 all-time closing highs over the first 33 days of 2020.

VOLATILITY HAD BEEN RELATIVELY BENIGN—UNTIL 2020'S RAMP-UP

(# OF +/- 2% DAILY MOVES THROUGH 3/31/2020)



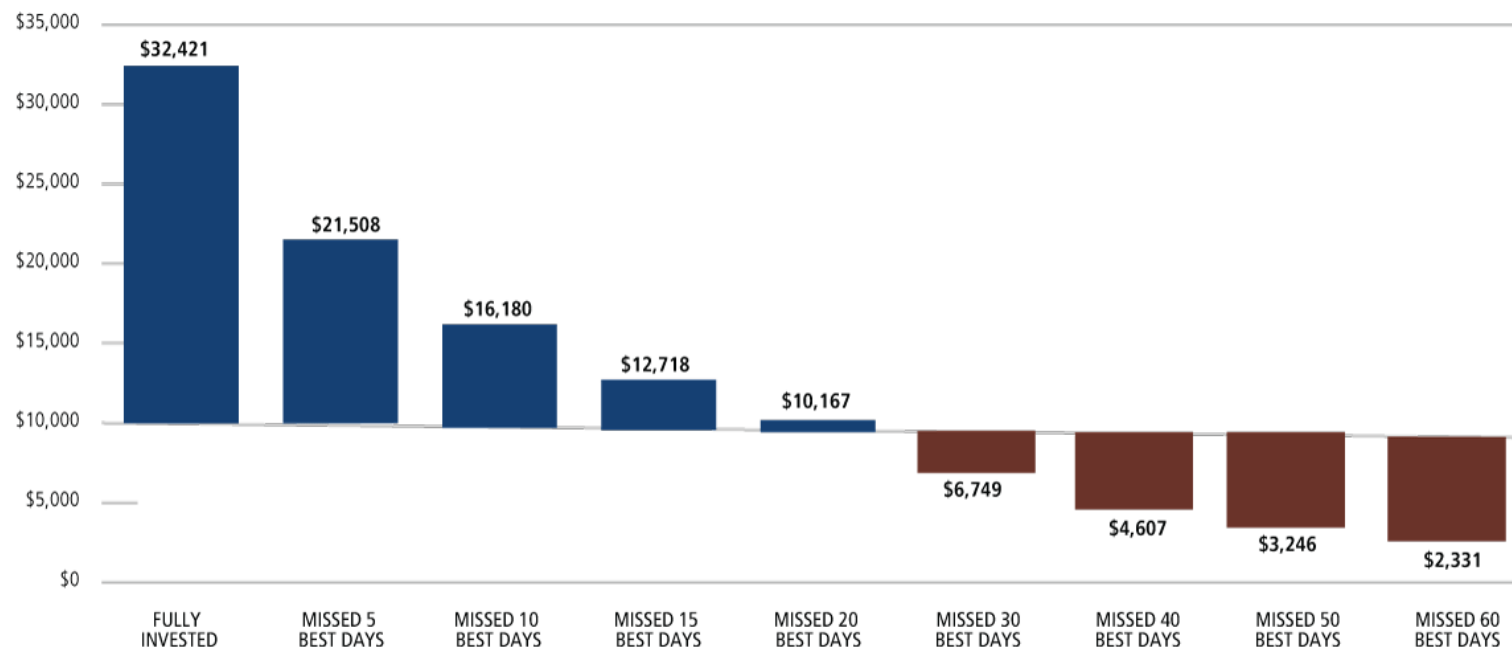
Source: Calamos Investments, Bloomberg. Performance data quoted represents past performance, which is no guarantee of future results. The S&P 500 Index is generally considered representative of the U.S. stock market.

Should You Stay or Should You Go?

Extreme market moves such as we've seen recently tempt anxious investors to respond with their own sudden shifts. This is rarely a good idea. Too often investors only end up getting whipsawed—catching the downside and missing the upside. As you can see below, missing just the 20 best days in a 20-year period can reduce investment returns by two-thirds (\$32,421 vs. \$10,167).

STAYING INVESTED IS THE BEST LONG-TERM STRATEGY

S&P 500 INDEX, ANNUALIZED RETURNS OVER 20 YEARS (2000-2019)



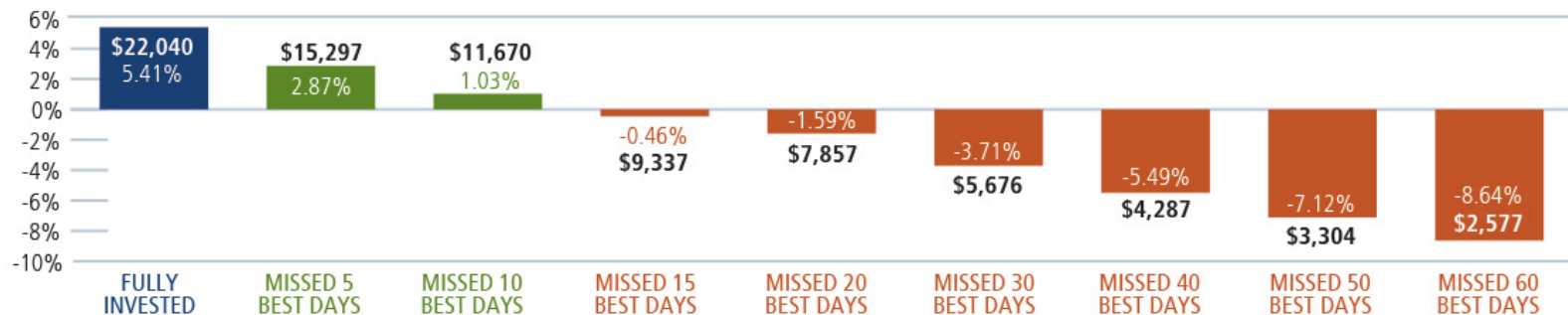
Source: Morningstar. Data ranges from 1/1/99 through 12/31/19. Performance data quoted represents past performance, which is no guarantee of future results. The S&P 500 Index is generally considered representative of the U.S. stock market.

Think Twice About Leaving Non-U.S. Markets, Too

This is true in non-U.S. developed markets, and in emerging markets, too.

TIME OUT OF NON-U.S. DEVELOPED MARKETS...

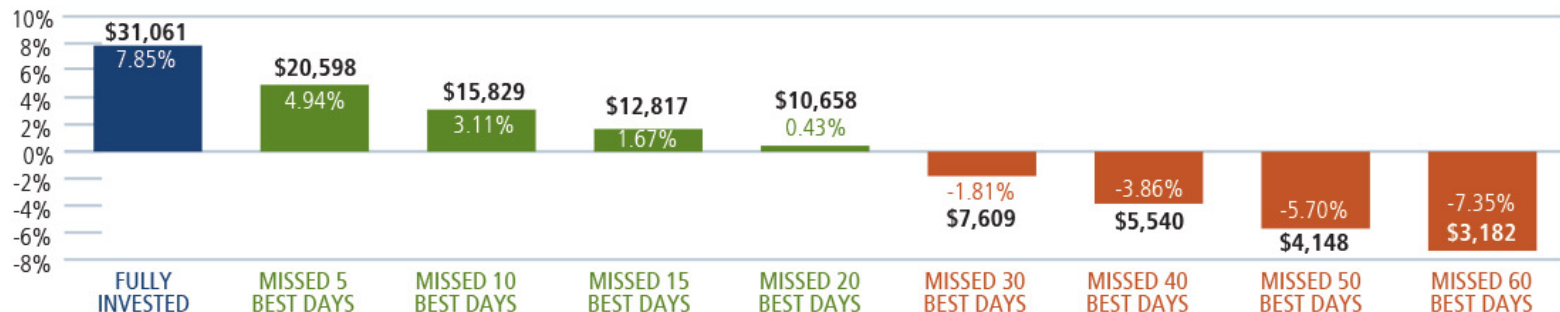
MSCI WORLD EX USA RETURNS AND THE GROWTH OF \$10,000 OVER 15 YEARS (2005-2019)



Source: Morningstar Direct. Data ranges from 1/1/2005 through 12/31/2019. Past performance is no guarantee of future results.

AND TIME OUT OF EMERGING MARKETS CAN ALSO HURT PERFORMANCE RESULTS

MSCI EM INDEX RETURNS AND THE GROWTH OF \$10,000 OVER 15 YEARS (2005-2019)



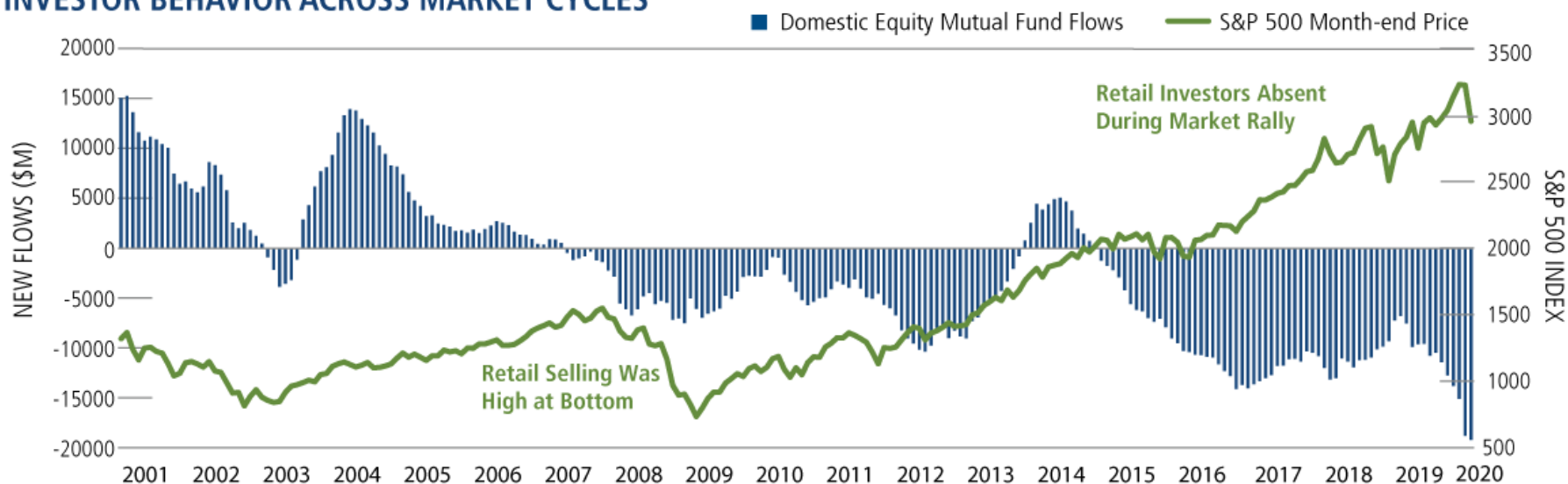
Source: Morningstar Direct. Data ranges from 1/1/2005 through 12/31/2019. Past performance is no guarantee of future results.

Resist the Temptation to be a Wrong-Way Investor

Investors have developed a reputation for unfortunate timing when left to their own devices. They've tended to sell their holdings or avoid investing at precisely the wrong time—just as markets have taken off.

As shown in the graph below, since 2015 investors withdrew from the market even as the S&P climbed to its highs.

INVESTOR BEHAVIOR ACROSS MARKET CYCLES



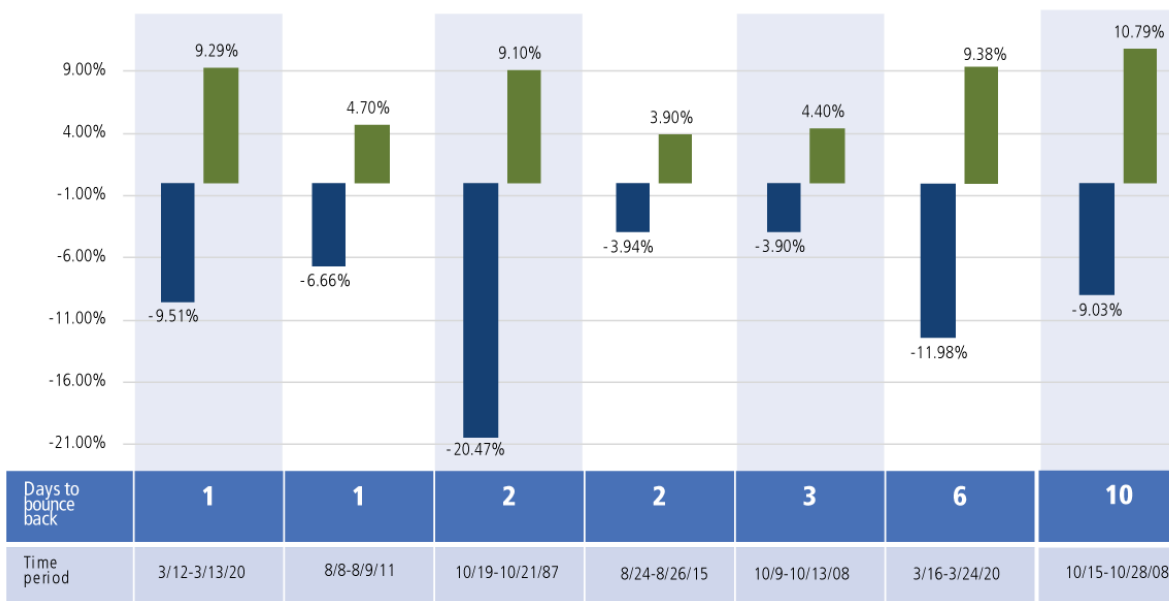
Source: TTM Estimated Net Asset flows for US Open-end US Equity Funds is from Morningstar Direct. Month end S&P 500 Index values are from YahooFinance.com
Performance data quoted represents past performance, which is no guarantee of future results. The S&P 500 Index is generally considered representative of the U.S. stock market.

Fact: Market Gains Are Unpredictable, Too

Attempts to time market moves by darting in and out of the market ultimately results in underperformance for the average investor. It's not unusual for the market to have one of its best days after one of its worst days.

THE S&P 500'S LARGEST DAILY PERCENTAGE GAINS AND LOSSES HAVE OFTEN OCCURRED WITHIN DAYS OF ONE ANOTHER

SEVEN EXAMPLES SINCE 1987 OF DEEP DECLINES THAT WERE FOLLOWED WITHIN 10 DAYS BY BIG MOVES TO THE UPSIDE



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Markets Have Been Resilient

What if you had invested in the equity market at its peak, immediately before one of the 18 sell-offs in the last century? Despite enduring an average initial loss of -27.9%, over the long-term, you would have earned an average annualized return of 4.1% and 8.0%, over five- and 10-year holding periods, respectively. Historically, the market has demonstrated its resilience in even the most challenging of times.

MARKETS HAVE HISTORICALLY SHOWN AN ABILITY TO RECOVER UNREALIZED LOSSES

ALL U.S. STOCK MARKET CORRECTIONS (SELL-OFFS OF -10% OR MORE) SINCE 1926

DATE OF MARKET CORRECTION			DURATION (# OF MONTHS)		DEPTH OF DRAWDOWN	IF PURCHASED AT PEAK	
PEAK	TROUGH	RECOVERED	SELL-OFF	RECOVERY		5 YEARS	10 YEARS
Aug-29	Jun-32	Jan-45	34	151	-83.40%	-17.40%	-4.90%
Feb-37	Mar-38	Mar-44	13	72	-50.00%	-8.60%	4.00%
May-46	Oct-46	Oct-49	5	36	-21.60%	9.10%	15.50%
Jul-56	Feb-57	Jul-57	7	5	-10.20%	10.00%	9.00%
Jul-57	Dec-57	Jul-58	5	7	-15.00%	7.60%	10.70%
Dec-61	Jun-62	Apr-63	6	10	-22.30%	5.70%	7.40%
Jan-66	Sep-66	Mar-67	8	6	-15.60%	4.30%	4.00%
Nov-68	Jun-70	Mar-71	19	9	-29.20%	0.40%	3.10%
Dec-72	Sep-74	Dec-76	21	27	-46.40%	-0.10%	7.60%
Aug-78	Oct-78	Mar-79	2	5	-11.20%	17.10%	14.80%
Nov-80	Jul-82	Oct-82	20	3	-18.80%	12.10%	11.80%
Jun-83	May-84	Dec-84	11	7	-10.80%	12.80%	13.30%
Aug-87	Nov-87	Apr-89	3	17	-29.80%	7.70%	13.40%
May-90	Oct-90	Feb-91	5	4	-16.80%	11.50%	16.70%
Jun-98	Sep-98	Nov-98	3	2	-12.00%	-1.30%	3.60%
Aug-00	Sep-02	Mar-06	25	42	-44.10%	-1.60%	-1.10%
Oct-07	Feb-09	Mar-12	16	37	-51.00%	0.60%	7.60%
Sep-18	Dec-18	Apr-19	3	4	-14.30%	?	?
Average			11	25	-27.90%	4.10%	8.00%
Median			8	8	-20.20%	5.70%	7.60%

Performance data quoted represents past performance, which is no guarantee of future results. Source: Wilshire Associates Incorporated. The S&P 500 Index is generally considered representative of the U.S. stock market.

OK, But How Much Longer?

Once they start, bear markets can extend for several months.

This bear market has been characterized as an event-driven bear market. Other types of bear markets are structural and cyclical. A recent study by Goldman Sachs Global Investment Research has found that event-driven bear markets tend to decline less than the average, are shorter and take less time to recover. Past results are no guarantee of future results, as investors must always keep in mind.

PREVIOUS S&P 500 BEAR MARKETS

	# OF TRADING DAYS	
	AVERAGE	MEDIAN
# of Trading Days in Bear Market	146	132
Recent high to enter bear market	137	116
Enter bear market to bear market low	83	71
Recent high to bear market low	220	187
Bear market low to exit bear market	63	47
Performance		
Recent high to bear market low	-35.61%	-32.86%

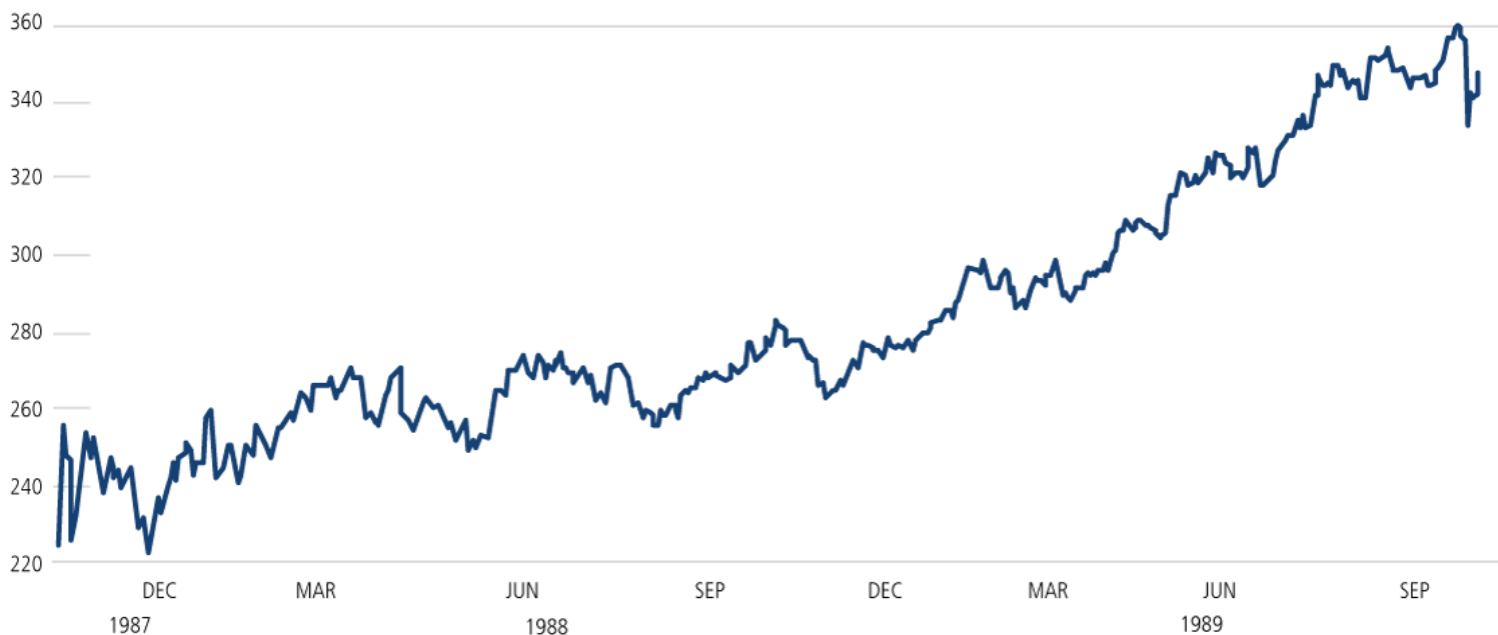
Past performance is no guarantee of future results. The S&P 500 Index is generally considered representative of the U.S. stock market.
Source: Dow Jones Market Data.

Markets Are Forward-looking

Equities today are reacting to the uncertainty and anxiety of the times. Previous markets have turned around when more is known, economic prospects are sized with more confidence—and stock prices appear to be too good to pass up.

Here's a look at the bounce back of the S&P 500 two years after the 1987 market crash.

TWO YEARS AFTER THE 1987 CRASH, THE S&P 500 WAS UP 47%



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The Reward That Follows the Risk

In fact, recent analysis has shown that the more severe the decline, the stronger the returns as the market recovers.

LOWER RETURNS HAVE HISTORICALLY PLANTED THE SEEDS FOR HIGHER RETURNS

S&P 500 DATA, PRICE ONLY, AVERAGE RETURNS BASED ON THE LAST 40 YEARS. 1-YEAR AND OLDER RETURNS ARE ANNUALIZED

RETURNS					
PERCENT AWAY FROM THEIR HIGH MARK	AFTER 3 MONTHS	AFTER 6 MONTHS	AFTER 1 YEARS	AFTER 3 YEARS	AFTER 10 YEARS
AFTER A MARKET DECLINE OF < 20%					
0%-5%	2.00%	4.10%	8.30%	8.30%	6.60%
5%-10%	1.80%	3.60%	7.10%	6.80%	6.40%
10%-15%	2.20%	3.60%	7.10%	6.70%	7.60%
15%-20%	0.90%	1.70%	9.30%	5.70%	8.50%
AFTER A MARKET DECLINE OF > 20%					
20%-25%	1.30%	3.50%	9.50%	8.40%	7.90%
25%-30%	2.40%	3.80%	8.40%	8.50%	6.90%
30%-35%	5.20%	8.60%	13.70%	9.30%	7.00%
35%-40%	1.70%	7.80%	14.00%	9.50%	7.20%
40%-45%	4.60%	13.70%	23.80%	12.20%	8.20%
45%-50%	8.70%	19.20%	34.80%	16.00%	10.00%
50%+	24.20%	36.80%	53.10%	22.70%	14.20%

Once stocks have fallen 20%, long-term returns have started to improve "with every painful leg lower."

Performance data quoted represents past performance, which is no guarantee of future results. Source: Michael Batnick, The Irrelevant Investor, March 15, 2020, based on Ycharts data. The S&P 500 Index is generally considered representative of the U.S stock market.

“Why Aren’t We All-in On Stocks?”

Many clients asked their financial advisors this question as they watched the stock market climb over the last 11 years. Who wouldn’t have wanted even more gains?

But the market’s recent struggles provide the answer to the question.

Aware of the cyclical nature of investing—and of equities’ vulnerability to unforeseen events—your financial advisor has planned for this day by building a portfolio that anticipates what happens when markets correct. Risk management is an important part of why you hire a professional to watch over and grow your personal treasure.

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Before investing carefully consider the fund's investment objectives, risks, charges and expenses. Please see the [prospectus and summary prospectus](#) containing this and other information which can be obtained by calling 1-800-582-6959. Read it carefully before investing.



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