

Stock Market Volatility: Worst Sell-offs Were Often Followed by Rallies



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Worst three-month declines in the S&P 500 Index since 1950*

3-Month Period Ending	3-Month Decline	Subsequent 12-Month Return	Total Return Over Entire Period (15 Months)
Nov-1987	-30%	23%	-13%
Sep-1974	-25%	38%	3%
Jun-1962	-21%	31%	4%
Jun-1970	-18%	42%	16%
Sep-2002	-17%	24%	3%
Sep-2001	-15%	-20%	-32%
May-1962	-14%	23%	6%
Oct-1990	-14%	34%	15%
Oct-1957	-13%	30%	13%
Nov-2000	-13%	-12%	-24%

Past performance is no guarantee of future results. *The data set includes all periods of three-consecutive-calendar-month returns since 1950. The table includes the three-month periods with the worst returns. For any periods of consecutive large three-month declines, the three-month period with the largest decline was listed. The S&P 500® Index is a registered service mark of The McGraw-Hill Companies, Inc., and has been licensed for use by Fidelity Distributors Corporation and its affiliates. It is an unmanaged index of the common stock prices of 500 widely held U.S. stocks that includes the reinvestment of dividends. You cannot invest directly in an index. Source: Ibbotson, FMRCo (MARE) as of 7/31/07

The Upside of Downturns

- ▶ Since 1950, the U.S. stock market, as measured by the S&P 500, has declined more than 13% over a three-consecutive-calendar-month period on 10 different occasions.*
- ▶ In eight of these 10 instances, the stock market rebounded by more than 20% over the following year.
- ▶ In seven of the 10 sell-offs, the subsequent rally was large enough to recover more than all of the market's previous losses.

Elevated Stock Market Volatility Not Necessarily Synonymous With Declines

- ▶ As history demonstrates, some of the worst short-term losses were followed by substantial rebounds.
- ▶ These snap-back rallies were often as abrupt and difficult to time as the original sell-off.

Flee to Cash or Stay Invested?

- ▶ In many cases, investors would have been better served by remaining fully invested during the entire period — enduring near-term pain but not missing out on the subsequent rebound.

Investment decisions should be based on an individual's own goals, time horizon, and tolerance for risk. Keep in mind, investing involves risk. The value of an investment will fluctuate over time and you may gain or lose money.

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