

Stock Market History:

Famous Bear Markets Throughout The Stock Market's History:

2000 – 2002, 1929 – 1932, 1973 - 1975

By Mark Crisp

<http://www.stressfreetrading.com>

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What Is Happening In Today's Stock Market?

Despite all the doom and gloom you will find we have been through all this before. The markets have soared in flyaway bubbles, everyone joined the party. Everyone said “this time it is different because” And then... ZAP. Like a balloon hit by sniper, down come the markets.

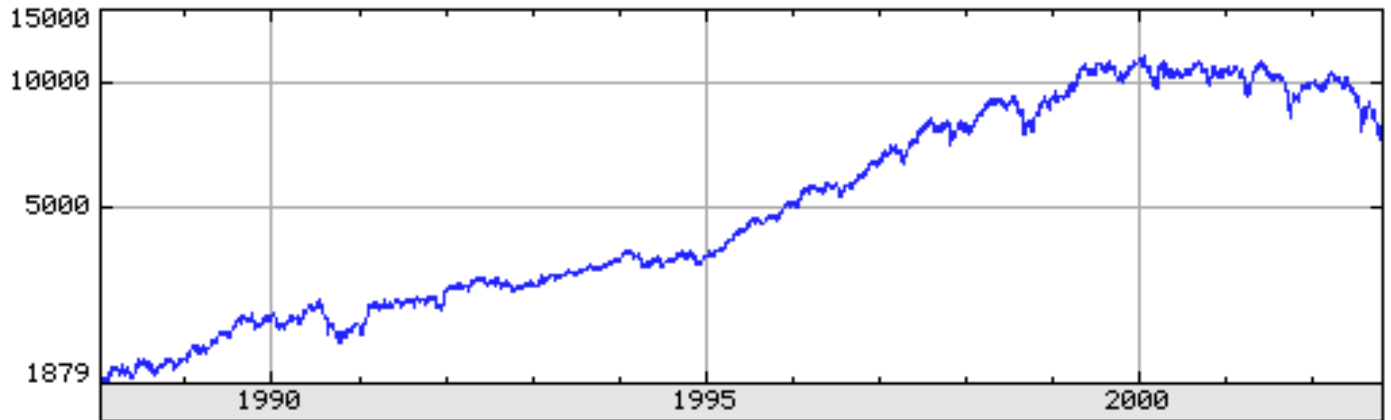
Let's stand back a little and take this entire “end of the world” scenario and see where we are really at:

Here are charts of the NASDAQ, Dow Jones and SP 500 over the last twenty years or so. As you can see, many fell into the trap of thinking the markets could only go one way.. .UP. Fund managers performed very well, simply buying and holding stocks. The public caught onto the fact that the stock market was the place to make “easy money”.

Dow Jones.

It doesn't look too bad from a long-term perspective. Look at the huge topping action that started in 1999 and went through until 2001. Only in 2002 did it finally break and give back some big gains. Could the Dow fall to 6,000? Possibly. Draw a trend line from the bottom left hand corner touching the dips in 1992 and 1995 and it takes us to just about the levels we are at now. Who knows?

DOW JONES INDU AVERAGE NDX
as of 10-Oct-2002



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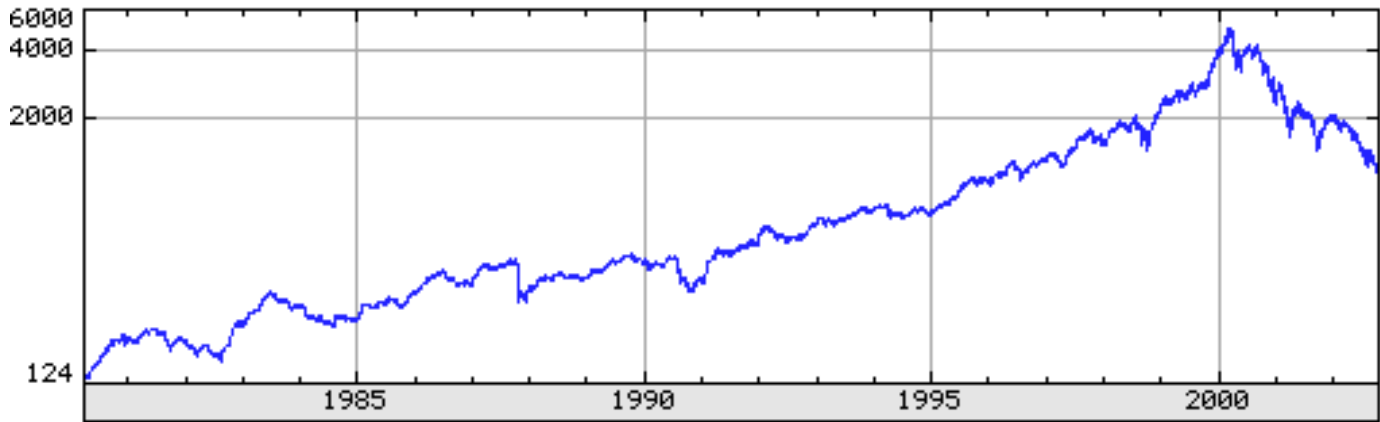
NASDAQ:

This was is much uglier. From 1992 until March 2000 this was a one-stop party for all. Buy a stock on the NASDAQ, any old stock, and it went up big. But oh boy! When the party finished and the music was over, the hangover was a stinker.

The NASDAQ market has experienced the biggest sell-off. Simply because this is where the biggest “bubble” was to be popped. “POP”... Down you go.

How much further (October 15th 2002)? Take a look at the chart and take your best guess. It's as good as anyone else's. I'll stick my neck on the block and say we are almost there. The “blood letting” is just about complete. Remember, next time we are in a 1992 – 2000 bubble. Make a lot of money, sure. Enjoy the party. BUT realize what has happened in the past will happen again. Be on the lookout for the end. As long as you do that, enjoy your-self.

NASDAQ NMS COMPOSITE INDEX
as of 8-Oct-2002



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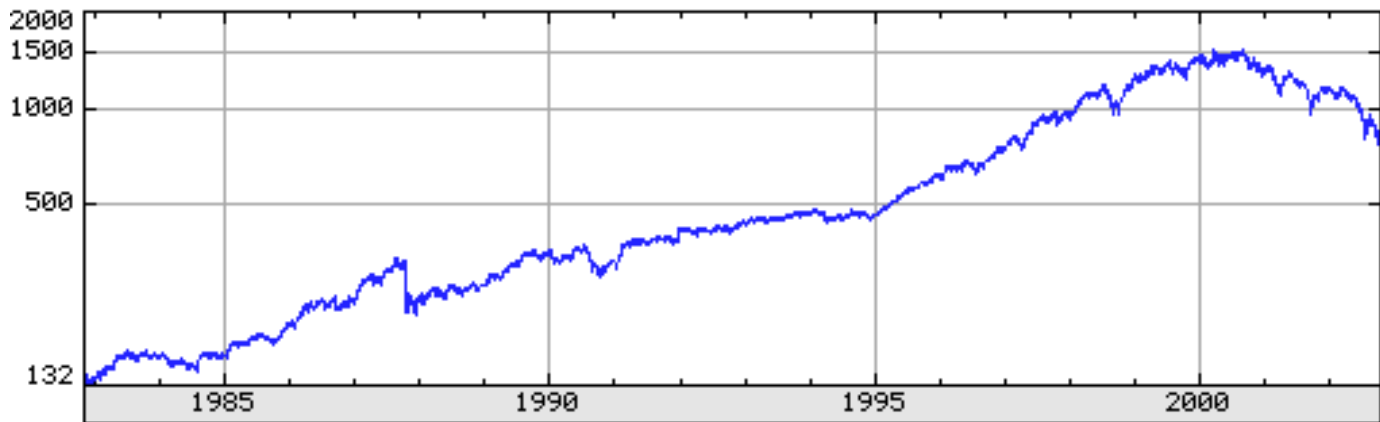
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S+P 500

A bit of a cross between the Dow and NASDAQ.

Big run up corrected over the past two years. Again, simply look at the long-term trend and see whether you think at current levels we have room for further falls or are we about finished?

S&P 500 INDEX
as of 10-Oct-2002



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We Have Seen It All Before!

Let me ask you. How bad is this recent bear market? If you look at the long term charts the upward bias trend of the stock market is still intact. We are merely “popping a bubble” if you look closely the

markets went from trending up in 1995 to an almost vertical climb. This is when the “dumb money” flooded the stock market in the promise of big and easy gains. For a while it did work out that way. Then in March 2000 the house of cards fell and we are still falling. (October 2002) (If you want to try and “predict” when this bear market will end I suggest you read my article on Elliot Wave)

Compared to past bear markets in stocks how does this one compare? Can we draw any conclusions?

Let's take a look:

The 1929 Stock Market Crash

This is the most famous crash in U.S. history. The great U.S depression followed. People who had no business or knowledge of the stock market had borrowed big to invest in stocks. Making the fatal mistake of believing the stock market was a one-way street to fame and fortune. (Sound familiar)

The 1929 crash was spectacular by any measure. It followed a spectacular bull market that had been going on for the better part of a decade. The Dow Industrials hit a high of 386 in September, 1929. It did not get back to that level until November, 1954. At its worst level, the Dow dropped to 40.56 in July, 1932. That is a drop of 89%.

As bad as the 1929 – 1932 bear market was and it was REALLY bad. It was basically the market realigning themselves with the “normal” gradual up-trend of the stock market. The vertical climb of ten years previous was simply wiped out.

Take a look at the chart. Look at the massive run up in the 1922 to 1929 period. This was the time millionaires were being spawned at two a penny. BUT the warning signals should have been flashing. Sadly, many did not the stock market could actually go down. Sounds like many today.

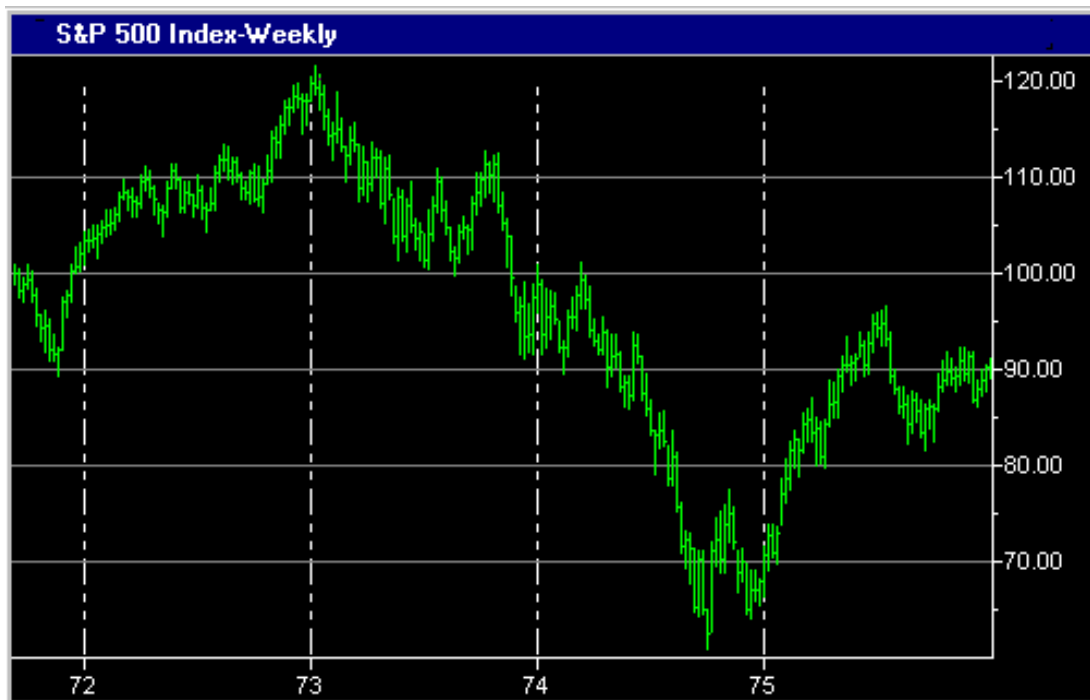


On the positive side. Look at how the stock market recovered from this massive dive some three years later. A massive five-year bull market followed. I expect the same kind of scenario to play out in the present stock market.

Let's Move On.

What About The Mid 1970's Bear Market?

This devastating bear market began with a new high in January, 1973 in the S&P 500 of 121.74. From that high, the index fell for 21 months to a low of 60.96. That is a drop of 50%!!! From the low the S&P 500 began a slow recovery. It didn't break its January 1974 high until July 1980, almost six and a half years later. Below is a graph of the January high and subsequent drop.



As you can see. The 73-75 bear market was quite bad. Wiping out over ten years of stock market gains. Nowhere near as bad as the 1929 – 1932 market but never the less a very unpleasant market for those “buy and hold” type of investors.

Again, on a more positive note, look at the sharp reversal in late 1974 which lead to a powerful 18 month bull market. This is where you can really press home your “flexibility” in the market and make a lot of money as the market trend turns.

You have to bear in mind (pardon the pun) the cycle keeps repeating its-elf.

- 1) Markets trend smoothly.
- 2) More and more jump on the bandwagon
- 3) The trend goes almost vertical
- 4) “This time it is different” is the quote of the day.
- 5) Just when things look great, the markets crash and wipe away those gains.
- 6) We start the loop again with a new generation of investors.

Your SECRET To Making Lot Of Money In The Stock Market?

BREAK the loop! Know which phase of a market you are in and act accordingly. It’s as easy as that.