

Large Stock Market Drops Usually Followed By Good Year

--Andrew D. Martin, 7Twelve Advisors, LLC, August 9, 2011

After the Dow Jones Industrial Average (Dow) dropped 634.76 points on its 6th worst point drop in history, investors wonder what is next with understandable anxiety. Our research indicates that we could be poised for a good year in the market if history is any guide. Though the point drop was the 6th worst, the percentage drop did not rank in the top twenty. 72% of the time exactly one year after the greatest point drops, the Dow was up on average 20.02%. 28% of the time the Dow was down by 6.97%.

Investors have had much recent experience with market drops. Twelve of the greatest point drops and four of the greatest percentage drops occurred in 2008. Overall, the stock market recovered well from the losses.

Greatest DJIA Daily Point Losses of All-Time					Then...		
Rank	Date	Close	Net Chg	% Chg	One Date	Year 1 Year later	Later % Chg
1	9/29/2008	10,365.45	-777.68	-6.98	9/29/2008 10,365.45	9/29/2009 9,742.20	-6.01%
2	10/15/2008	8,577.91	-733.08	-7.87	10/15/2008 8,577.91	10/15/2009 10,062.94	17.31%
3	9/17/2001	8,920.70	-684.81	-7.13	9/17/2001 8,920.70	9/17/2002 8,207.55	-7.99%
4	12/1/2008	8,149.09	-679.95	-7.70	12/1/2008 8,149.09	12/1/2009 10,471.58	28.50%
5	10/9/2008	8,579.19	-678.91	-7.33	10/9/2008 8,579.19	10/9/2009 9,864.94	14.99%
6	8/8/2011	10,809.85	-634.76	-5.55	8/8/2011 10,809.85	8/8/2012 ??	??
7	4/14/2000	10,305.78	-617.77	-5.66	4/14/2000 10,305.78	4/12/2001 10,126.94	-1.74%
8	10/27/1997	7,161.14	-554.26	-7.18	10/27/1997 7,161.14	10/27/1998 8,366.04	16.83%
9	10/22/2008	8,519.21	-514.45	-5.69	10/22/2008 8,519.21	10/22/2009 10,081.31	18.34%
10	8/4/2011	11,383.68	-512.76	-4.31	8/4/2011 11,383.68	8/4/2012 ??	??
11	8/31/1998	7,539.06	-512.62	-6.37	8/31/1998 7,539.06	8/31/1999 10,829.28	43.64%
12	10/7/2008	9,447.11	-508.39	-5.11	10/7/2008 9,447.11	10/7/2009 9,725.58	2.95%
13	10/19/1987	1,738.74	-508.00	-22.61	10/19/1987 1,738.74	10/19/1988 2,137.27	22.92%
14	9/15/2008	10,917.51	-504.48	-4.42	9/15/2008 10,917.51	9/15/2009 9,683.41	-11.30%
15	11/5/2008	9,139.27	-486.01	-5.05	11/5/2008 9,139.27	11/5/2009 10,005.96	9.48%
16	9/17/2008	10,609.66	-449.36	-4.06	9/17/2008 10,609.66	9/17/2009 9,783.92	-7.78%
17	11/20/2008	7,552.29	-444.99	-5.56	11/20/2008 7,552.29	11/20/2009 10,318.16	36.62%
18	11/6/2008	8,695.79	-443.48	-4.85	11/6/2008 8,695.79	11/6/2009 10,023.42	15.27%
19	3/12/2001	10,208.25	-436.37	-4.10	3/12/2001 10,208.25	3/12/2002 10,632.35	4.15%
20	11/19/2008	7,997.28	-427.47	-5.07	11/19/2008 7,997.28	11/19/2009 10,332.44	29.20%
					Greatest DJIA Daily Point Losses of All-Time		
					One year after, market up: 13 yrs 72%		
					One year after, market down: 5 yrs 28%		
					Average up: 20.02%		
					Average down: -6.97%		
Source: 08/09/11 WSI, Market Data Center (DJIA highs)					Source: MartinMetrics, 08/09/11		
					Yahoo Finance, Adjusted closes, end date (1 year after data)		