

The capital market bear has awakened from its 11-year slumber.

So, let us help explain what a Bear market means.

Bear markets are a decline of at least 20% from the highest closing price to the lowest closing price on a stock market index – such as the S&P 500 - and are a normal part of the business market cycle. Since 1929, bear markets have averaged about 20 months in duration.

Bear markets have historically had three phases.

First is a waterfall move. Downward. Stocks decline and there are spikes in volatility.

Phase 2 is the consolidation - a sideways drift by stocks. This movement will fluctuate up and down...
... until stocks find a trading range and the markets wait as needed for the underlying problem to resolve itself.

Phase 3 is the bullish breakout - It consists of a sustained rebound, where we see the start of stock prices rising as economic outlooks become clearer. It's a time of renewed opportunity.

History shows that as a recession concludes, there's an opportunity for seeking out and investing in stocks that may be mispriced. We believe the best investment approach is to have an allocation of assets that represents an investor's goals and tolerance for risk. It's important to stay on top of economic conditions and market movements. And be diligent about maintaining target allocations.

Most of all, we want to help you. You'll find informed opinions, guidance and resources on our website. Or if you have a question, something you don't understand, please reach out and talk to a Wells Fargo financial professional.

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