



**JOHNSON
BENDER & CO**
WEALTH MANAGEMENT

BEAR TRAPS OF THE S&P 500 INDEX

MARCH 2009

Investors all over the world have begun exhale a deep sigh of relief as the result of a considerable stock market rally in the past week. Major indexes posted their largest advances since last November, leading some to believe the market is predicting an economic turnaround in the near term.

Some economists have warned that this looks like yet another bear trap where a short period of rising prices head fakes a reversal, when in fact the bearish trend remains intact. As always with investing, it is important to look at the historical performance of the market when determining your best course of action (or inaction). Bear markets almost always erode investor confidence—but it is important not to let pessimism keep you from investing in quality, sound investments at bear-market prices. We have pulled data from nine of the past bear markets of the S&P 500 Index dating back to 1957. Most bear market cycles includes the following:

- Increased volatility in the markets
- An economic recession
- A period of high unemployment
- A sudden increase in inflation

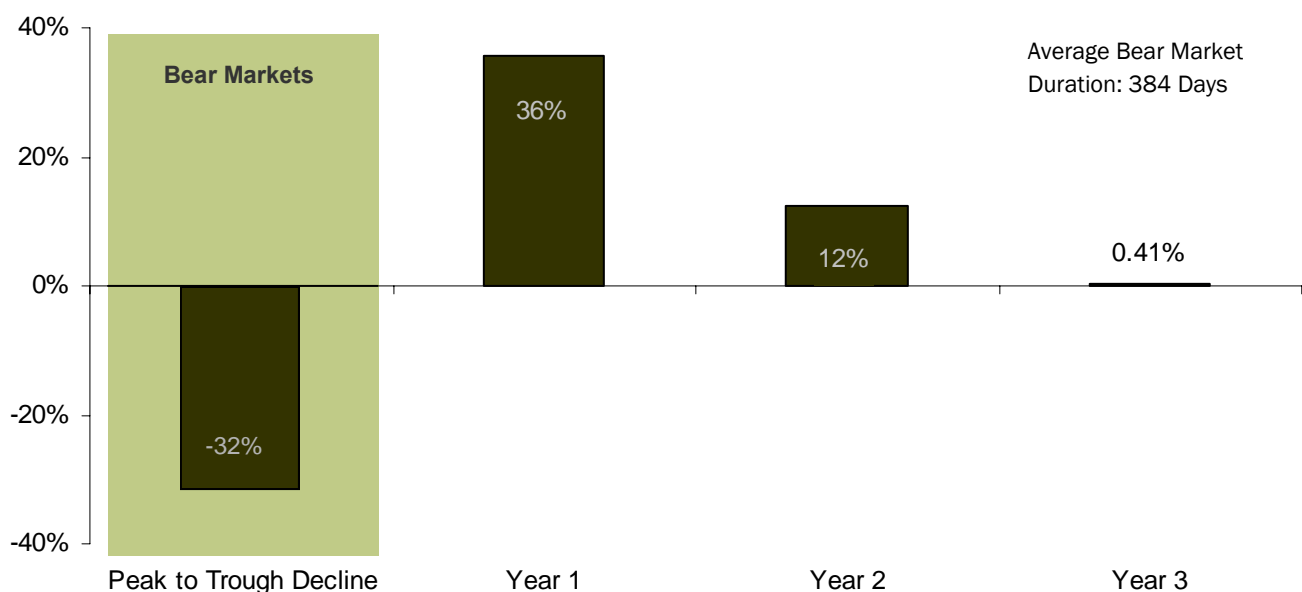
Is History Repeating Itself?

We have used this headline numerous times, because time after time, we always come back to the past. Historically, bear markets make way for market rebounds. The Bear/Bull market cycle is secular—when one begins, the other ends and vice versa.

Bear markets can create unique opportunities for investors to purchase more shares of a company they believe in at a much lower price that was offered during a bull market cycle. As always, it is important to look at these investments as long-term opportunities. Investing can become *unbearably* stressful if you look at price movements every day. The market will bob up and down, but once we make it through this difficult market, a new bull will rush forward.

Is the rally that we are currently experiencing a bear trap? Only time will tell. What we do know is that the market has bobbed several times since its initial low last October (we had a new low on March 6th, when the index hit 666). The banks are beginning to release some positive information, oil prices are back on the rise, and jobless claims were better than expected last week.

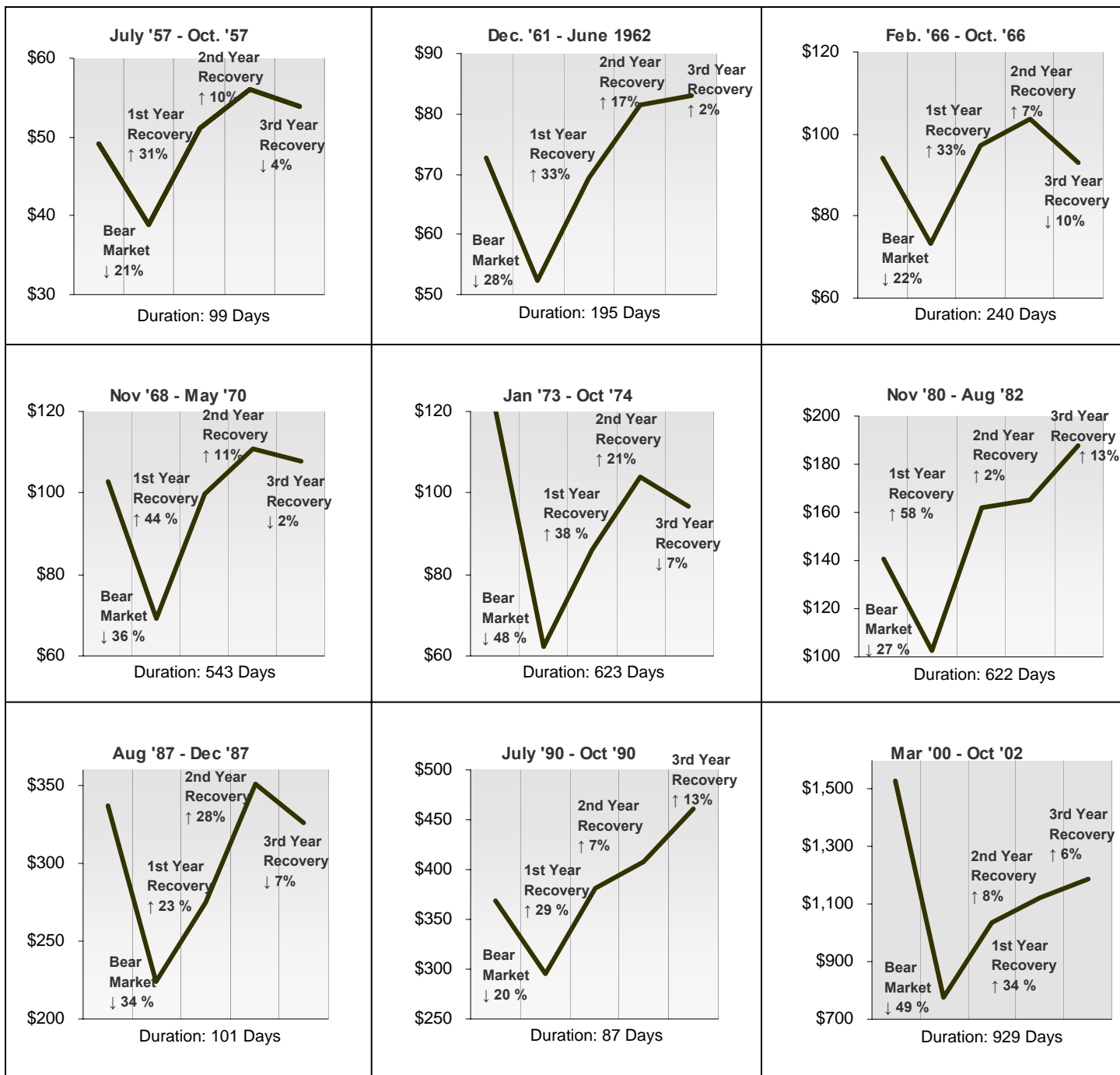
Average returns based on previous nine bear markets and returns of the S&P 500 Index



Source: Yahoo Finance. The S&P 500 Index is an unmanaged index that represents 500 large-cap stocks. An investment cannot be made directly in an index. **Past performance cannot guarantee future results.**

Bear Markets of The S&P 500 Index

The following graphs represent the last nine bear markets of the S&P 500 Index– dating back to 1957.



Source: Yahoo Finance. Returns are calculated using the closing values for the S&P 500 Index, which represents 500 large blue-chip stocks. Past performance does not guarantee future results. Bear market returns indicate peak to trough declines, which measure the market high to the market low for each period specified. The 1st, 2nd, and 3rd year recovery returns represent the 1-year returns of the S&P 500 1-year, 2-years, and 3-years after the market low.

Material discussed herewith is meant for general illustration and/or informational purposes only. Please note that individual situations can vary. Therefore, the information should be relied upon when coordinated with individual professional advice. Views expressed may not reflect the views of FSC Securities Corporation. Securities offered through FSC Securities Corporation. Member FINRA/SIPC A registered broker-dealer not affiliated with Johnson, Bender & Company.

