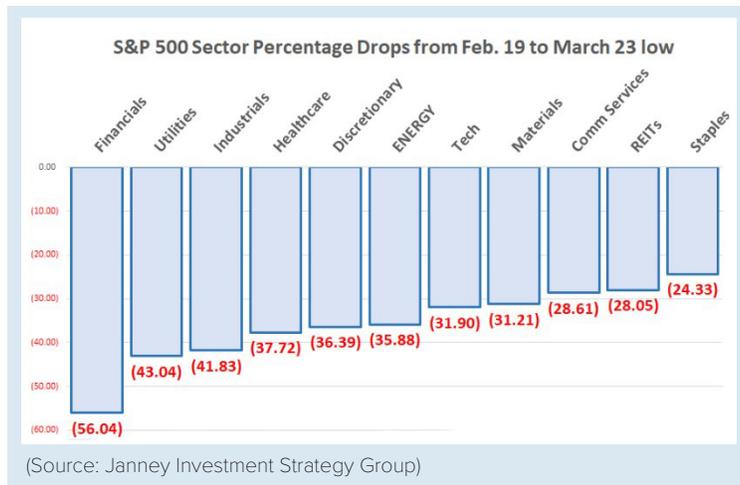


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# REMEMBERING “THE DAY”

Front pages of the *New York Times* and the *New York Post* on March 17, 2020, reflected the dour view of economic conditions COVID-19 had created. The day before, an 11.98% drop in the S&P 500 echoed the sentiment of millions of investors who feared what could be a dire health and economic period.



All 11 sectors of the S&P 500 were battered through the virus-induced decline, but five trading sessions later and 6.23% below its March 16, 2020, closing level, the S&P 500 at 2,237.40 was about to begin an unprecedented recovery.

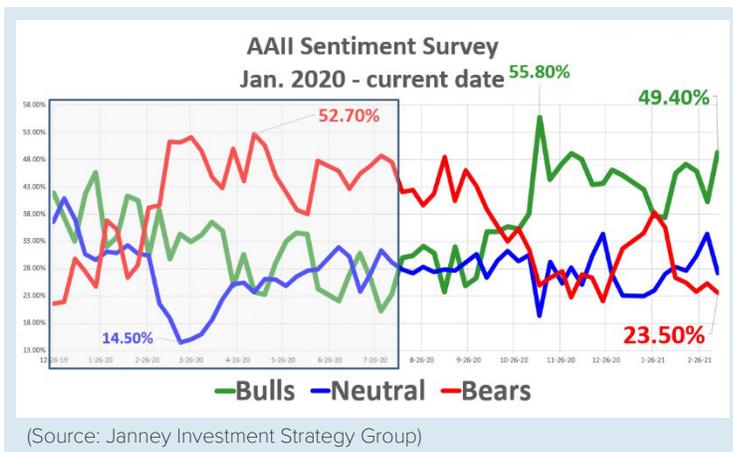


A year later, the recovery continues to fuel equity market gains and set new all-time highs that by midday March 16, 2021, had the S&P 500 77.65% above the March 23, 2020, close.

The chart of sector percentage results as of March 16, 2021, shows the recovery did not ignore any portion of the equity market, but the belief that the economy would come back strongly pushed the market’s most cyclical sectors to the top of the sector performance ranks.

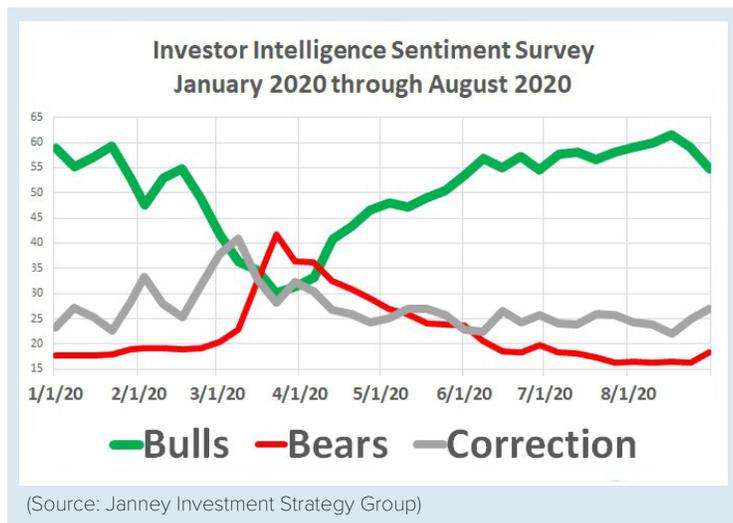
The main lesson from the market’s drop last year, however, probably is psychological, not economic.

Weeks before the March 23, 2020, market low, spread of the virus dominated the news, which the stock market gradually reflected.



The shaded portion in the chart of the American Association of Individual Investors (AAIL) sentiment survey encompasses the period immediately before, and a few months after, the market bottom last year.

The red line in the chart signifying the level of bearish market views rose rapidly to its May 7, 2020, peak. Bullish sentiment bottomed on July 30, 2020, when only 20.23% of survey respondents indicated a bullish market outlook. A similar pattern was evident in the Investors Intelligence survey of sentiment among money managers.



Admittedly, discipline is required to ignore negative sentiment, but the rewards can be significant, as they have been from the stock market low last year.

March 2020 entered the market's history books alongside times like October 1987, September 2001, and March 2009, when the market had to endure major market pullbacks.

There has been 20 bear markets since 1928, and it is a virtual certainty that there will be more. Remembering March 2020, however, is important as it provides one more example of what to do when news and sentiment all are extremely negative.

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