MARKET SNAPSHOT

GLENMEDE
INVESTMENT MANAGEMENT

EQUITY MARKETS REBOUND AFTER SHARP DECLINES

- The S&P 500 fell more than 20% over the second and third quarters. Such a large decline in a six-month period is rare, with only 11 such observations since 1946. In five of these cases, the S&P 500 actually declined more than 30% before rapidly reversing.

- Equity markets that have dropped by more than 20% in such a short period of time have historically rebounded with a 100% positive frequency with an average return of about 30% in the subsequent 12 months. An average bounceback would more than offset the equity losses over the prior six-month period.

- While many asset allocators have been de-risking based on economic uncertainty, investors should also factor these oversold conditions into their near-term return expectations. Our long-term studies indicate that, excluding the most expensive quintile of stocks, the rest of the S&P 500 is trading near the bottom decile of its historical range on a price-to-earnings basis (11.7 times next 12 months' earnings), and has rarely been so cheap outside of recessionary periods. We continue to prefer active strategies that underweight the most expensive quintile relative to passive strategies with exposure to that quintile.

Forward 12-Month Returns after Sharp Equity Market Declines
1946 through September 2022

Forward 12-M Total Return (%)	S&P 500 Decline in Prior 6 Months					All Periods
	>10%	>15%	>20%	>25%	>30%	
Average	17.6	21.9	29.6	32.6	40.0	12.5
Median	20.9	22.9	26.5	29.8	38.1	13.4
Maximum	56.4	53.6	53.6	53.6	53.6	61.0
Minumum	-38.1	-9.5	8.0	9.8	25.4	-43.3
Positive Freq.	83%	97%	100%	100%	100%	79%
Count	60	33	11	8	5	910

Sources: Glenmede Investment Management, Haver, FactSet, MATLAB
S&P 500 Index in 6 months ending September 30, 2022, was down more than 20%

All data as of 9/30/2022, unless otherwise noted.