

# How to remain resilient through a downturn

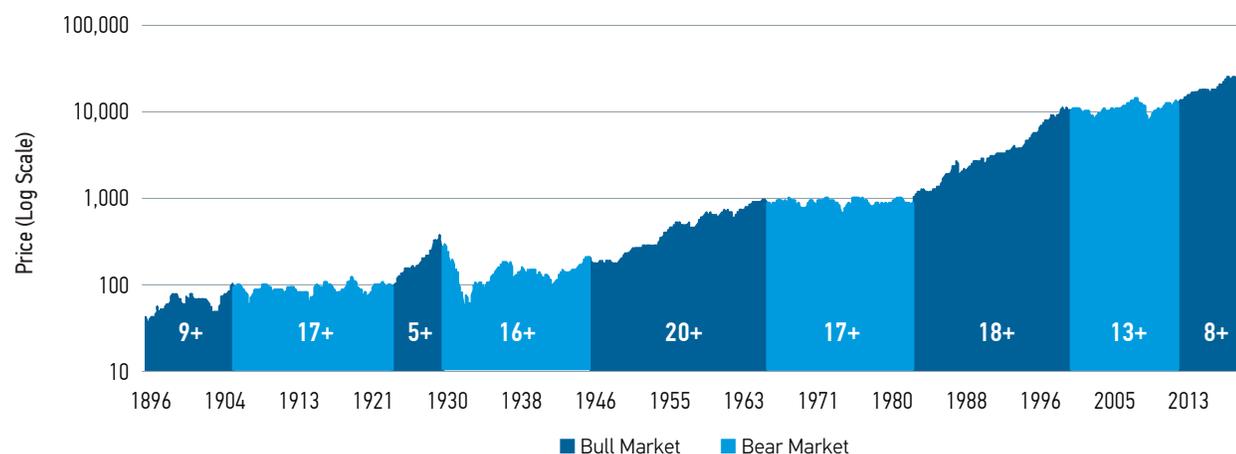
MAY 2020

**FACT #1**

**Investing in stocks is risky—but historically it’s been a risk worth taking**

The COVID-19 pandemic—like the Cuban Missile Crisis in the 1960s, the 1987 Crash or the Financial Crisis in 2008-2009—brought an end to one of the longest-running bull markets in history. But history has shown that patient investors who stayed in the market for a full cycle were rewarded.

**Dow Jones Industrial Average: Duration of market cycles in years**



Source: Bloomberg, Morgan Stanley Wealth Management GIC.

**FACT #2**

**You cannot predict market cycles**

It is impossible to predict with precision when a pandemic will end. The same is true for market cycles. An analysis of market corrections of more than 5% since 2009 shows that they can last anywhere from a few days to a few months. Recoveries can also vary greatly in their duration.

	<b>CORRECTIONS</b>	<b>RECOVERIES</b>
Minimum length	4 days	3 days
Maximum length	266 days	197 days

Source: Bloomberg, Morgan Stanley Wealth Management GIC.

**WHAT MATTERS MOST: Your response to market volatility →**

## So how do you invest in a pandemic?

**ANSWER:** The same way you would in any market downturn.

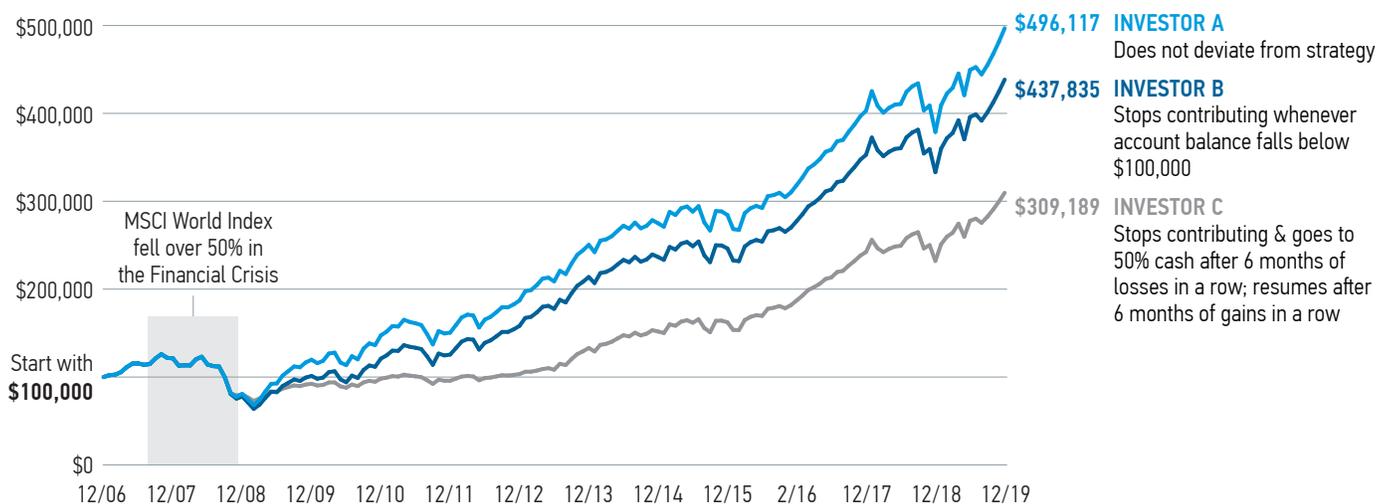
The strategy you choose will determine the future trajectory of your wealth accumulation for years to come.

If you have a time horizon of at least five years, previous market downturns suggest that you remain invested and continue to contribute to your investment plan to take advantage when share prices are low. Of course, making regular investments cannot assure a profit or protect against loss, and you should consider your financial ability to continue making contributions through all market cycles.

We examined various scenarios over a period that encompassed the Financial Crisis of 2008-2009 and the subsequent recovery from that downturn. The results are illustrated in the chart below.

### Hypothetical scenarios during a bear market

- Scenarios assume \$100,000 at 12/31/2006 and monthly contributions of \$1,000.
- MSCI World Index is the proxy for equities and US 3-month T-bill rate is the cash proxy.
- Outcomes are based on the three different investor behaviors for the period 12/31/06-12/31/19



Source: MSCI World Index, Morgan Stanley Investment Management

**Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy.**

**RISK CONSIDERATIONS:** There is no assurance that a portfolio will achieve its investment objective. Portfolios are subject to market risk, which is the possibility that the market values of securities owned by the portfolio will decline and that the value of portfolio shares may therefore be less than what you paid for them. Market values can change daily due to economic and other events (e.g. natural disasters, health crises, terrorism, conflicts and social unrest) that affect markets, countries, companies or governments. It is difficult to predict the timing, duration, and potential adverse effects (e.g. portfolio liquidity) of events. Accordingly, you can lose money by investing in financial markets.

This material is a general communication, which is not impartial and all information provided has been prepared solely for informational and educational purposes and does not constitute an offer or a recommendation to buy or sell any particular security or to adopt any specific investment strategy. The information herein has not been based on a consideration of any individual investor circumstances and is not investment advice, nor should it be construed in any way as tax, accounting, legal or regulatory advice. Investors should seek independent legal and financial advice, including advice as to tax consequences, before making any investment decision.

**NOT FDIC INSURED | OFFER NO BANK GUARANTEE | MAY LOSE VALUE | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY | NOT A BANK DEPOSIT**

Morgan Stanley Investment Management is the asset management division of Morgan Stanley.

Explore our site at [www.morganstanley.com/im](http://www.morganstanley.com/im)