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The Type of Bear Market Matters

As we enter into a bear market for the second time in two years, many investors are wondering what lies ahead.

History tells us that not all bear markets are created equal, and the trigger of the market sell-off can tell us a lot about what to expect. In the past, event-driven and cyclical bear markets don't last as long as structural bear markets. Cyclical bear markets which appears similar to this one, typically exhibit rising inflation and interest rates and markets are pricing in a risk of inflation.

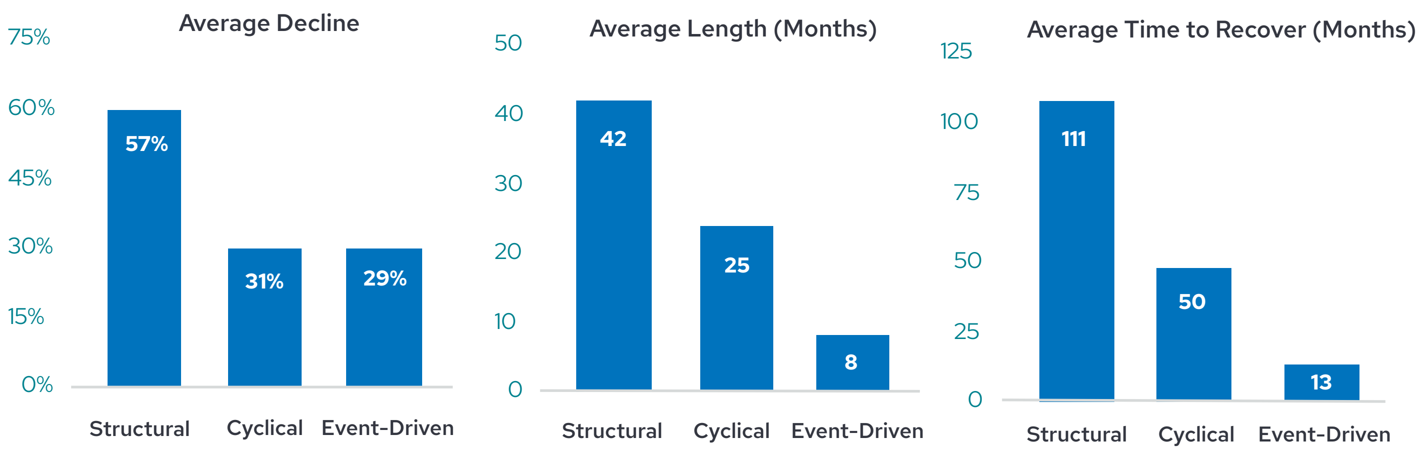
Types of Bear Markets & Their Triggers

Structural: The result of a market player causing a systemic problem, such as over-leveraged banks or consumers.

Cyclical: A natural slowdown in economic activity after a period of growing production and profits.

Event-Driven: An unpredictable shock to the markets, such as a natural disaster or health crisis.

EVENT-DRIVEN BEAR MARKETS TEND TO RECOVER FASTEST



Source: Goldman Sachs Global Investment Research.

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