How Long Until the Markets Hit Bottom?

By: www.ProfitableInvestingTips.com

The Nasdaq has fallen by a quarter this year. The S&P 500 is down about 20% and the Dow by more than 10% by early May 2022. Inflation is raging and Fed actions to slow it could easily drive the economy into a prolonged recession. Add the continued supply chain disruptions (especially out of China) due to Covid, the war in Ukraine, and **protectionism** disrupting commodity markets. Things are likely to keep getting worse until the root causes are remedied. That raises the question: how long until the markets hit bottom?

When to Invest As a Market Crashes

Long term investors commonly benefit from buying good stocks for cheap when a correction or crash bottoms out. They look at both **intrinsic stock value** and the factors underlying the crash. Once a stock's market value drops below its long term value based on forward looking earnings it is profitable to purchase it. However, the most profitable purchases are when an investor can spot when the bottom is reached. Thus, an appreciation of long market crashes last and when they turn around is important for timing one's purchases.

The 1929 Stock Market Crash Lasted Until 1932

The 1920s were a similar decade to the years after the Financial Crisis. In the 1920s one could buy stocks for 10% down and in the last decade interest rates were historically low. Both time stock prices went steadily up and profits were easy until they weren't. The Dow Jones Industrial Average rose from 63 in August 1921 to 381 by September 1929. Then on Black Monday, October 28, 1929, the stock market crashed 13% in one day. The next week on Black Tuesday the Dow went down 12% more. Three weeks after the crash started half the market's value was gone. But that was not the end of it. The stock market continued to fall in fits and starts until the middle of 1932, nearly three years later when it hit 41.2 which was 11% of its value before the crash. (Federal Reserve History)

What Factors Decide How Long a Market Continues to Crash?

Since the crash from 1929 to 1932 the market has fallen into correction or crash territory twenty-five more times. The average time it takes is 289 days. The factor that all of these have in common is that they last so long as the things that cause them last or are not remedied. For example, the Covid crash lasted until the Fed started pouring money into the economy. The problem today is that there are three factors driving the crash and not one. There is still excess money in the economy and Covid is still a factor in the supply chain. Specifically, China is using draconian lockdowns in its zero tolerance approach to Covid. And Russia's war on Ukraine has brought on sanctions, higher prices for oil, natural gas, agricultural products, and strategic minerals. This mix of issues will take longer to remedy because this time around the Fed is busy raising interest rates to fight the worst US inflation in 40 years.

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