Hello and thank you for joining in to watch my last video update before the end of the year. My name is Sharon Wong and I am a Vice President, Investment and Wealth Advisor, with RBC Dominion Securities.

I recognize that 2020 has been an unusual and unsettling year for most. But I am hopeful for better times ahead as vaccine developments of late have been positive, suggesting a more sustainable recovery in the economy may emerge in the second half of next year.

For this month's commentary, I wanted to reflect on how equities have typically performed after recessionary bottoms.

COVID-19 was a shock like no other in modern history. But the one common thread of this particular shock, with other major shocks in the past, was the outcome: a recession.

We are now just over eight months into the equity market recovery from the trough marked on March 23. **Since then, the S&P 500 and the TSX have rallied dramatically.** While the gains may seem extraordinary at first glance, they are actually on par with the rebound coming out of the March 2009 lows in the Great Financial Crisis.

Although the global health crisis that has inflicted enormous pain around the world is unprecedented, bear markets and recessions are not. With vaccine deployment expected to start by early 2021, there is a reasonably good chance that the nascent economic recovery will deepen and broaden out over the next 12 months.

To get a sense of how equity markets have typically fared coming out of recessions, **RBC Capital Markets looked at how the S&P 500 and the TSX have historically performed after the former hits its trough levels in U.S. recession-induced market selloffs since 1945.**

For this analysis, we excluded non-recessionary bear markets and include the TSX for only periods when daily index data were available. Here are a few observations from the results (input exhibit at bottom of page):

- **Extraordinary gains in the first year after a recessionary market bottom are normal.** On average, the S&P 500 and the TSX have rallied ~41% and ~42% respectively in the 12 months after reaching maximum drawdown in a recession-induced equity market correction.

- **Equity market gains in the second and third years usually downshift to a more moderate pace** as the initial reflexive bounce peters out, but most recoveries carried decent momentum into the subsequent years.

- **The second year of the market recovery from 1980 was derailed by successive recessions.** The recession of the early 1980s is technically split into two parts, with the first part spanning January 1980 and July 1980, followed by a brief one year expansion, and the second part starting in July 1981 and ending November 1982. **Losses for the TSX were amplified by a sharp decline in crude oil prices.**

- **The second year of the market recovery from 1960 was beset by what is sometimes referred to as the "Flash Crash of 1962"**, an abrupt correction that was generally attributed to excessive investor complacency.

- After these two second-year setbacks, however, equity markets staged a robust rebound in the next year.

The bottom line is, if the historical trends hold, then equity markets appear fairly well-positioned to deliver more gains in 2021, though the same history also suggests that investors should dampen their return expectations.

I wish everyone good health and good cheer and to happier times ahead. Personally, I cannot wait until I can give someone a hug again.

Happy Holidays and looking forward to connecting with you in 2021.

Exhibit to include in video

Exhibit: Equity market returns after recession market bottoms (price index)

	S&P 500			TSX		
Market Bottom Date	**First Year**	**Second Year**	**Third Year**	**First Year**	**Second Year**	**Third Year**
June 13, 1949	42.1%	11.9%	13.1%	-	-	-
September 14, 1953	37.7%	43.8%	4.9%	-	-	-
October 22, 1957	31.0%	9.7%	-4.8%	-	-	-
October 25, 1960	30.7%	-20.0%	35.3%	-	-	-
May 26, 1970	43.7%	11.1%	-2.5%	-	-	-
October 3, 1974	38.0%	21.2%	-7.1%	-	-	-
March 27, 1980	37.1%	-16.9%	36.4%	37.1%	-31.1%	32.1%
August 12, 1982	58.3%	2.0%	13.4%	71.7%	-1.7%	18.0%
October 11, 1990	29.1%	5.6%	14.5%	10.5%	-4.6%	26.4%
October 9, 2002	33.7%	8.0%	6.6%	33.5%	15.9%	20.4%
March 9, 2009	68.6%	15.7%	3.9%	57.5%	16.5%	-9.9%
March 23, 2020*	62.2%	?	?	54.2%	?	?
Average	**40.9%**	**8.4%**	**10.3%**	**42.1%**	**-1.0%**	**17.4%**
Median	**37.7%**	**9.7%**	**6.6%**	**37.1%**	**-1.7%**	**20.4%**

Source: Bloomberg, data through 11/25/20