Twitter Thread by Gurjot Ahluwalia



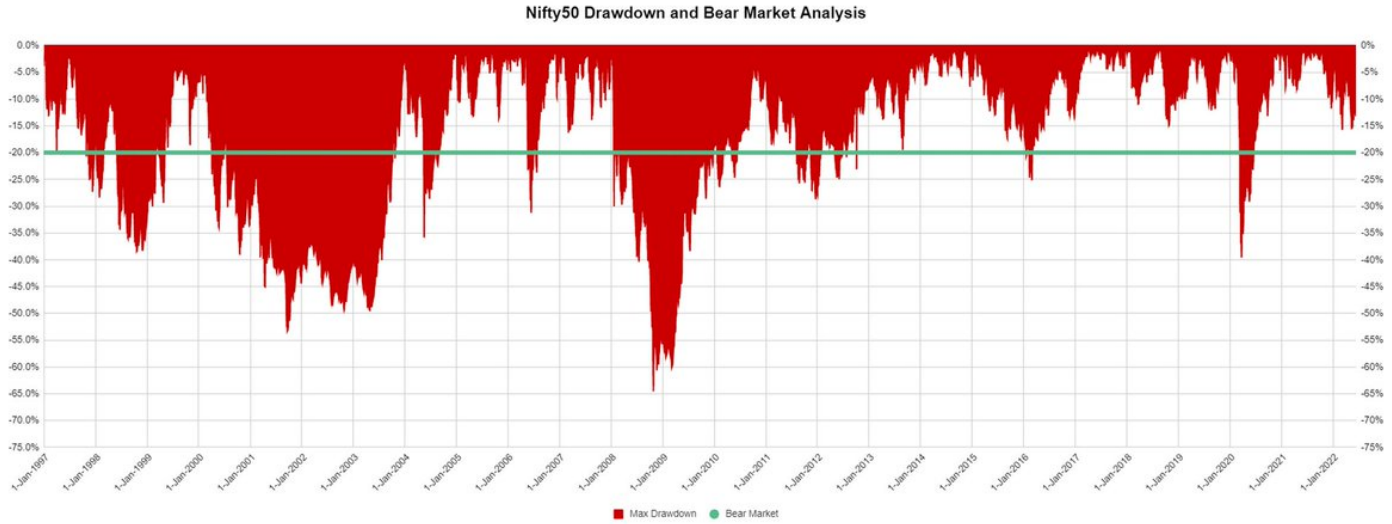
Gurjot Ahluwalia
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I analyzed 25+ years of #Nifty data to better understand bear markets ■

Why?

Given the recent market sell-off and bearish stance of market participants, history and data is your best guide to prepare if we're headed for a bear market.

Thread with findings below ■■
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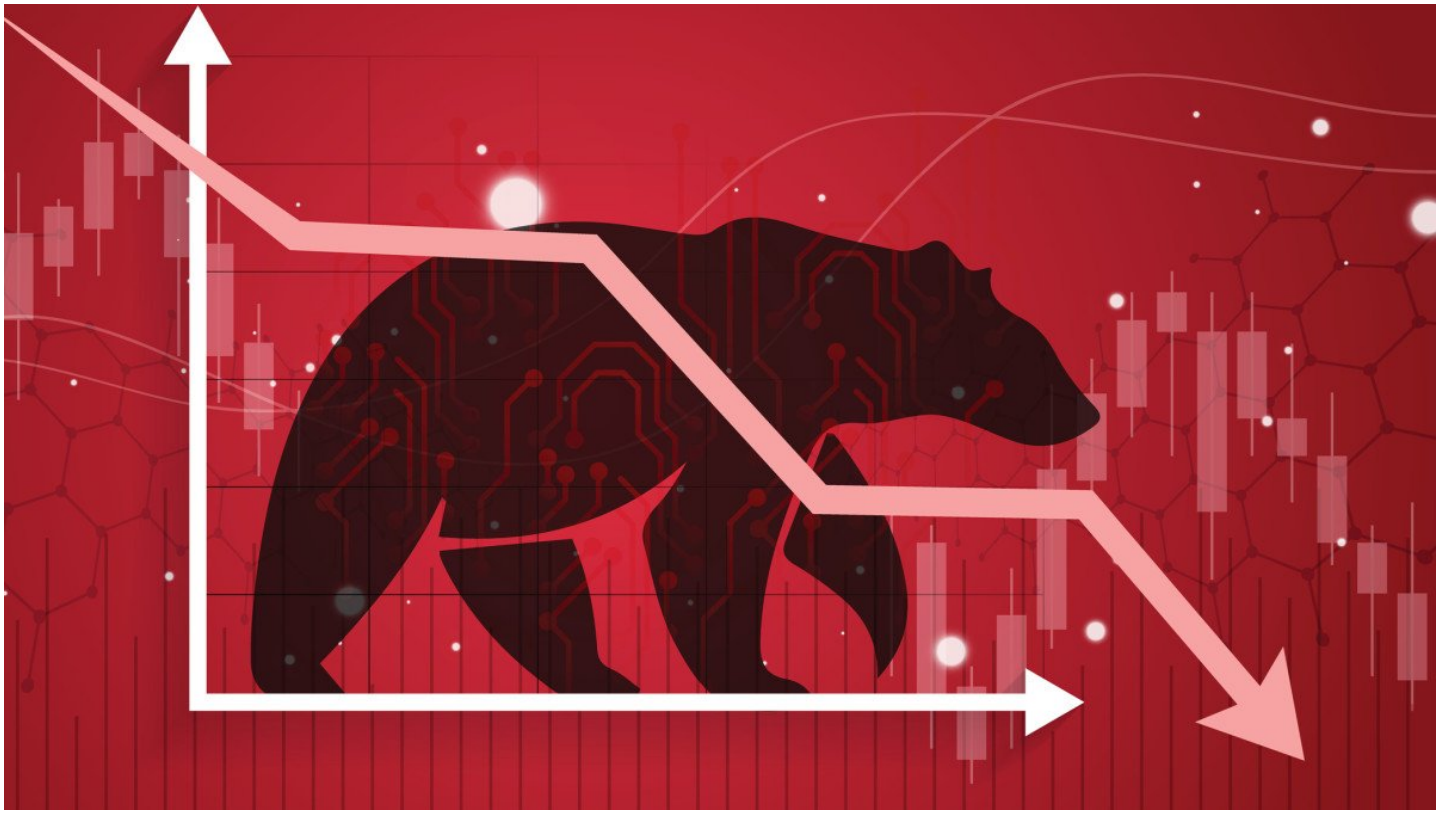


But first, do you know the definition of a bear market?

When any index falls 20% or more from it's all time high, it is termed to be in a #bearmarket ■

How do you calculate length of a bear market? The time duration in days from previous all-time high to market bottom.

2/n



■■ Nifty last 25 years (1997-2022*)

Number of Bear Markets = 8

Average drawdown % = -38.5%

Average bear market duration = 246 days (8 m)

Key takeaway - Bear markets occur every ~3 years and take on average 8 months to bottom

3/n

#	Bear Market Timeline	Nifty50 Max Drawdown	Days to Bottom
1	Mar'97 – Apr'97	-20.2%	27
2	Aug'97 – Nov'98	-38.3%	481
3	Feb'00 – Sep'01	-53.3%	576
4	Jan'04 – May'04	-35.9%	129
5	May'06 – Jun'06	-31.2%	34
6	Jan'08 – Oct'08	-64.6%	293
7	Mar'15 – Feb'16	-25.1%	362
8	Jan'20 – Mar'20	-39.6%	64
Average Drawdown & Duration		**-38.5%**	**246**

1997 and 2006 saw the fastest bear markets with Nifty correcting 20-30% in just ~1 month.

Unbelievably, 1997 had 2 bear markets! Just imagine suffering 20% drawdowns twice in a few months!

Mar 2020 Covid crash was the 3rd fastest and 3rd worst bear market.

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Okay, how should we define Bear Market Recovery?

The no of days from market bottom to a new all-time high.

Sadly, bear markets take time to recover.

Almost double the time to recover to a new ATH compared to the time to form a bottom.

Avg recovery duration – 495 days

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#	Bear Market Timeline	Nifty50 Max Drawdown	Days to Bottom	Days to New ATH
1	Mar'97 – Apr'97	-20.2%	27	78
2	Aug'97 – Nov'98	-38.3%	481	224
3	Feb'00 – Sep'01	-53.3%	576	826
4	Jan'04 – May'04	-35.9%	129	212
5	May'06 – Jun'06	-31.2%	34	138
6	Jan'08 – Oct'08	-64.6%	293	1869
7	Mar'15 – Feb'16	-25.1%	362	379
8	Jan'20 – Mar'20	-39.6%	64	230
Average Drawdown & Duration		**-38.5%**	**246**	**495**

Every cloud has a silver lining.

495 days or 16 months is the avg bear market recovery duration but they have been as short as 78 days (1997) or 138 days (2006).

5 out of 8 bear markets recovered within 8 months

Takeaway – Most bear markets recover within a year
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Bull Markets ■ have Bear Phases ■

We have all heard about 2003-07 bull market.

Nifty went ~7x in 5 years

April 2003 - 920
Jan 2008 - 6357

But even one of India's biggest bull markets had 2 bear markets in 2004 and 2006.

Bull markets never go up in a straight line.

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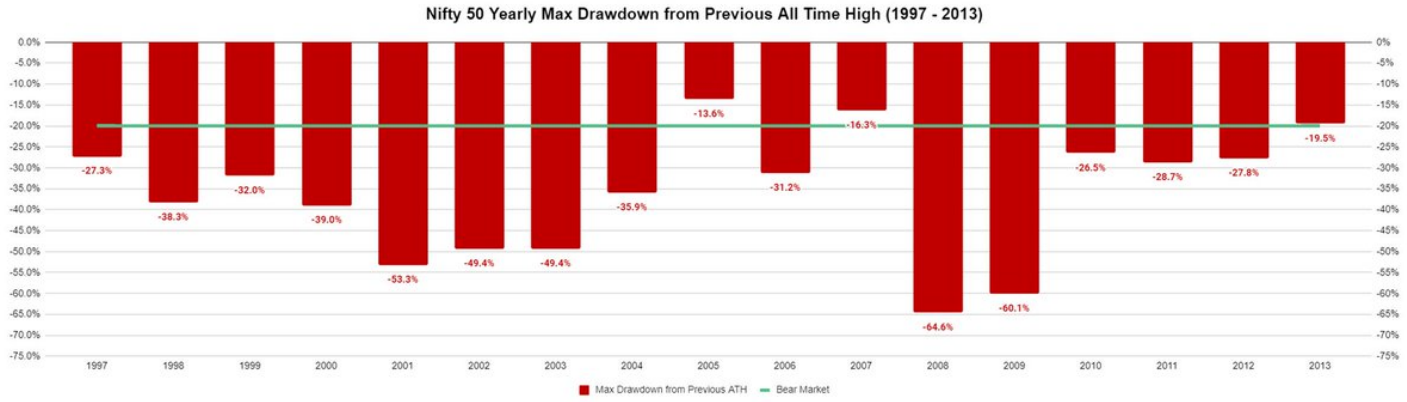


Key Question - So do you need to wait ~3 years for a bear market to buy equities?

The answer to this question has gradually changed in the past 25 years.

Between 1997-2013, the market was in bear market territory every single year barring just 2 years.

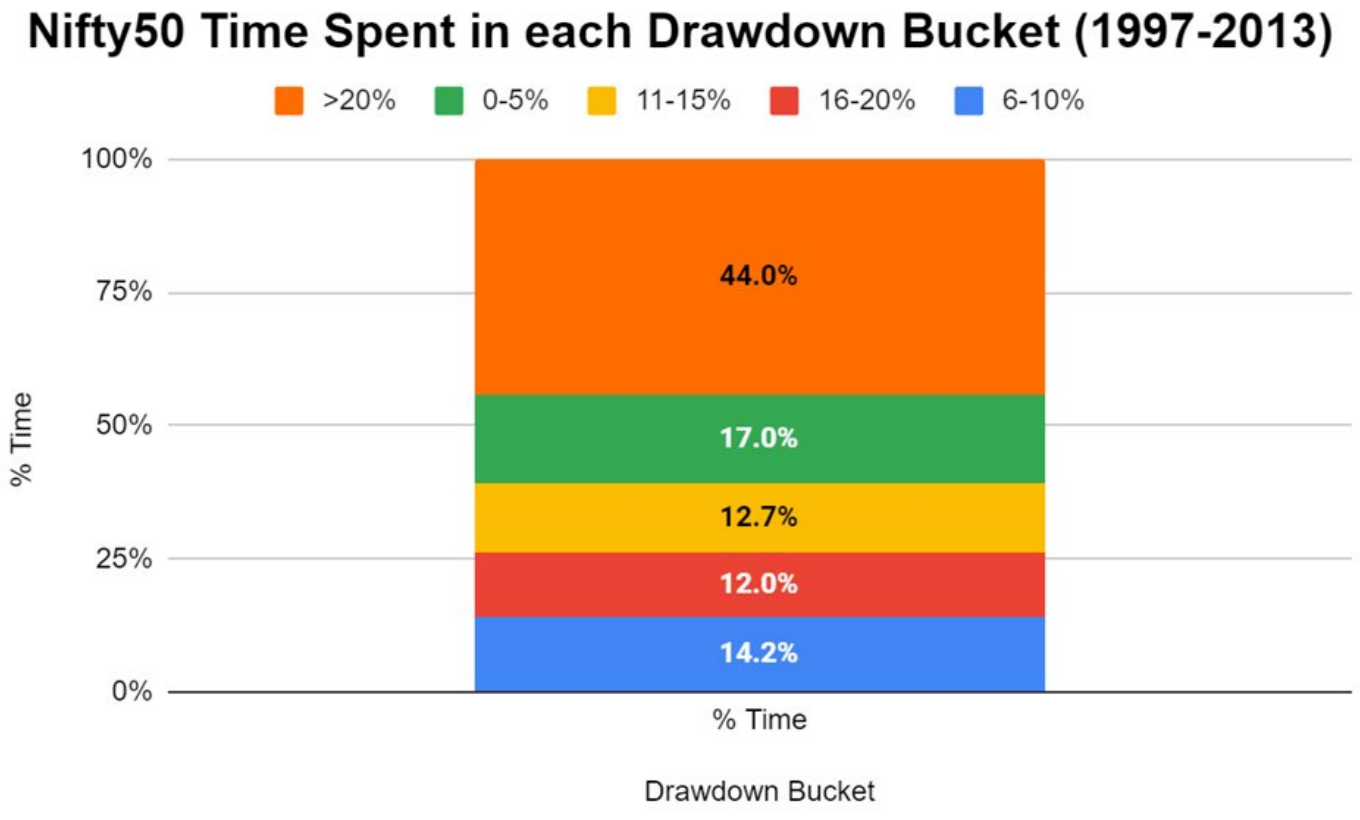
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You will hardly believe the next insight given how strong India's markets have been in the recent past.

But in a span of 17 years between 1997-2013, our markets spent close to ~50% time in bear market (20%+ decline) territory.

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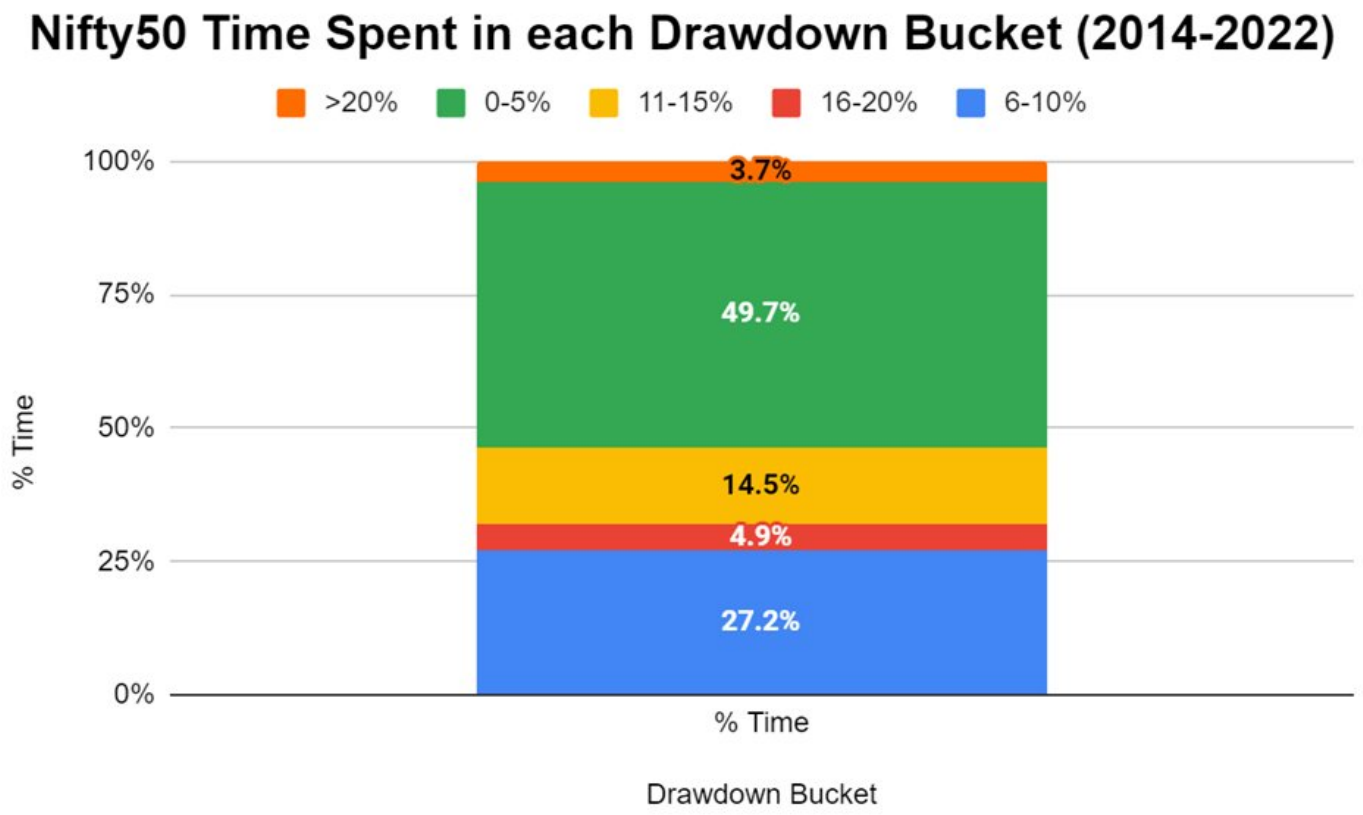


However, since 2013 ■■ markets have been extremely resilient with just 2 bear markets in 9 years.

Complete opposite to above chart, Nifty has spent 50% time in last 9 years near ATHs.

And spent just 4% time in bear market territory

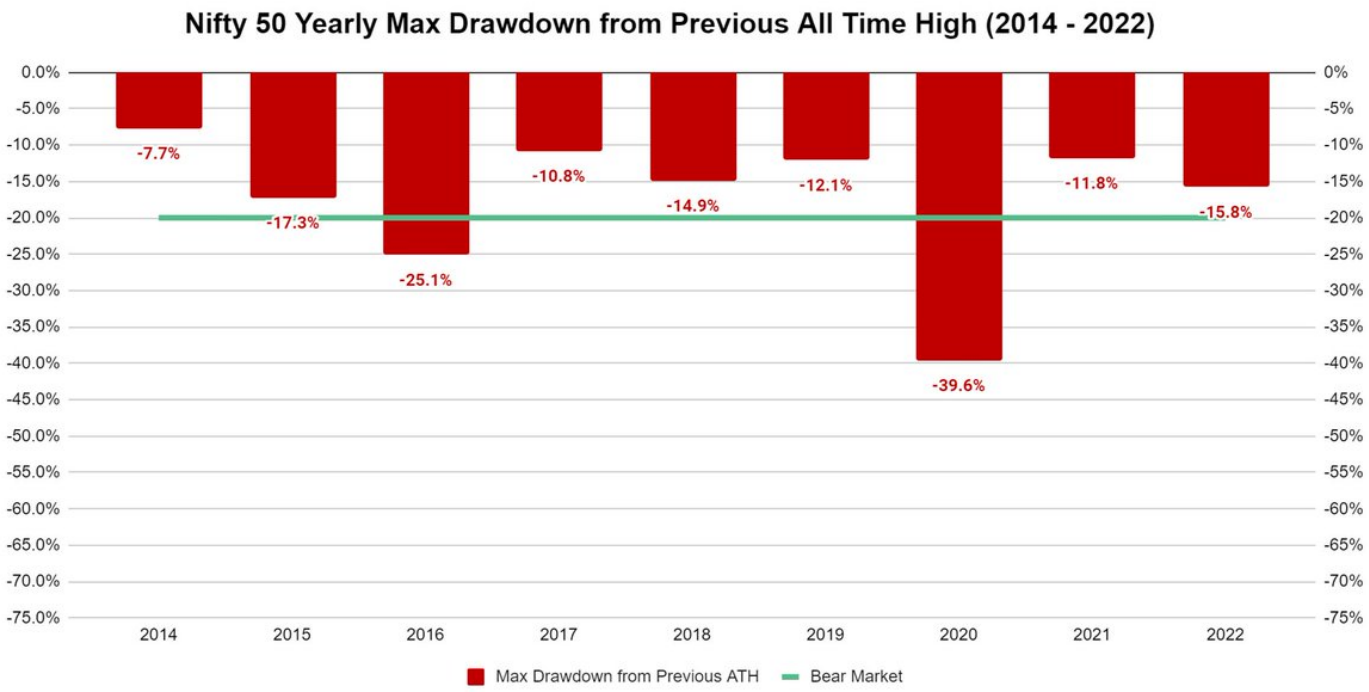
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In the last 8.5 years, markets have corrected ~15% every other year and I cannot predict if the 25-30% frequent drawdowns between 1997-2013 will become the norm anytime soon.

So, 15%+ declines from ATH can be used as a good metric to increase equity allocation in my view.

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This thread took me 15+ hours of research and writing, so please retweet if you find it useful.

I will create a separate thread for bear markets in small caps if this thread gets enough traction.

Summary and Learnings of last 25 years of Bear Markets in ■■■

12/n

Bear Market Summary

1. ■ occurs every ~3 years and avg 8 months to bottom

2. ■■ has only seen 2 bear markets in last 9 years

3. ■ recoveries take double the time (16 months)

4. Bull ■ markets can have multiple ■ phases

5. Increase equity allocation on 15%+ declines

END