Market Talks
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STOCKS · BEGINNER · LESSON 12 OF 15

Bull and Bear Markets

What bull markets, bear markets and corrections are, how long and how deep they have been in history, what causes them and how investors and traders can live through them

12 min read 8 quiz questions with answer key

STOCKS · BEGINNER · LESSON 12 OF 15

Bull and Bear Markets

IN ONE SENTENCE

A bull market is a long uptrend with higher highs and higher lows. A bear market is a long downtrend with lower highs and lower lows. A correction is a move against the main trend, and its size depends on the time frame. Since 1928 the S&P 500 has had 27 bear markets, lasting about nine and a half months on average, while bull markets have lasted much longer and gained much more. Every past bear market has eventually been followed by a new high, but some recoveries took years.

Bulls, bears and corrections

The names come from how the animals attack: a bull thrusts its horns **up**, while a bear swipes its paws **down**. In the markets:

- A **bull market** is a long uptrend. Prices keep making **higher highs and higher lows**, and investors are generally confident.
- A **bear market** is a long downtrend. Prices keep making **lower highs and lower lows**, and confidence fades.
- A **correction** is a move against the main trend, after which the trend often continues. In an uptrend it is a fall, and in a downtrend it is a rise.

No trend moves in a straight line. Prices move in waves, and corrections happen on every time frame, so a correction has no fixed size. A fall of 1% or 2% can be a correction on an hourly chart, while a correction on a weekly chart is usually a much bigger move.

What matters is the price structure. While an uptrend keeps making higher lows, a fall is still a correction. When prices break below the last low and the next rise stops at a lower high, the trend may be changing. This is only certain looking back: the lowest point of a bear market is also the first day of a new bull market, but no one knows it is the low on the day itself.

In 2025, for example, the S&P 500 fell **18.9%** from February 19 to April 8, on closing prices, after the United States announced large new tariffs. Prices then recovered and went on to new highs, so on a long-term chart the fall was a deep correction inside the bull market that began in October 2022.



Figure 1. A bull market makes higher highs and higher lows, and a bear market makes lower highs and lower lows. The gold moves go against the main trend: these are corrections, and they happen in both.

What history shows

Bear markets are a normal part of investing, not rare disasters. To count them over almost a century, researchers need a fixed rule. Hartford Funds, using data from Ned Davis Research, counts a fall of 20% or more in the S&P 500, on closing prices, as a bear market. This is a rule for keeping records, not a law of the market. By that count, the index has had **27 bear markets** since 1928, and **28 bull markets**:

- The average bear market lasted about **289 days**, roughly nine and a half months, and the index fell about **35%** on average.
- The average bull market lasted about **988 days**, roughly 2.7 years, and the index rose about **112%** on average.
- Bear markets have happened about every 3.5 years on average, and less often since the Second World War, roughly every five years.
- Over the past 95 years, stocks were in a bear market for only about 21 years. The rest of the time, about **78%**, they were rising.

The key lesson is the asymmetry: bull markets have lasted much longer and gained much more than bear markets have lost. But averages hide a wide range, and some bear markets were far worse than average, as the next section shows.

Average S&P 500 bull and bear markets since 1928

Bear market	Bull market
Length	Length
289 days	988 days
Price change	Price change
-35%	+112%

27 bear markets, 28 bull markets

Source: Hartford Funds, Ned Davis Research (data to March 2025)

Figure 2. On average, bull markets have lasted more than three times as long as bear markets and gained far more than bears lost.

Five bear markets to remember

Every bear market has its own story. These five, measured on the S&P 500 from closing high to closing low, show how different they can be:

- **1929 to 1932, the Great Depression:** about **−86%** over almost three years. Banks failed, unemployment soared, and it took until the 1950s for prices to recover.
- **2000 to 2002, the dot-com crash:** about **−49%** over two and a half years, after a bubble in internet and technology stocks. The Nasdaq Composite fell much further, about 78%.
- **2007 to 2009, the global financial crisis:** about **−57%** over 17 months, caused by a housing crash and the near collapse of the banking system.
- **2020, the COVID-19 crash:** about **−34%** in just over a month, the fastest fall into a bear market in history, followed by one of the fastest recoveries, as you saw in Lesson 9.
- **2022, inflation and rising rates:** about **−25%** over nine months, as the Fed raised interest rates quickly to fight the highest inflation in 40 years.

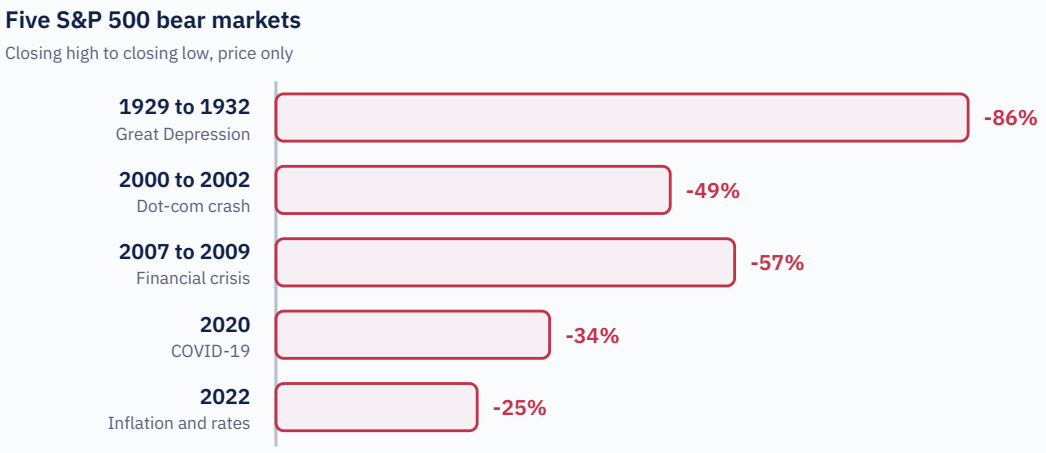


Figure 3. Five bear markets with very different depths and causes.

What causes bear markets

Bear markets usually start when investors' expectations for future profits fall sharply, the idea from Lesson 9. Common triggers include:

- **Recessions.** When the economy shrinks, company profits fall, and share prices usually fall before the recession is officially recognised.
- **Rising interest rates.** Central banks fighting inflation make borrowing more expensive and bonds more attractive, as in 2022.
- **Bursting bubbles.** When prices rise far above what profits can justify, as in 2000, they can fall a long way when optimism fades.
- **Financial crises.** Problems in banks and credit markets can spread to the whole economy, as in 2008.
- **Sudden shocks.** Pandemics, wars or major policy changes can cause rapid falls, like the COVID-19 crash of 2020.

Not every bear market comes with a recession, and not every recession causes a bear market. That is why bear markets are very hard to predict, even for professionals. Most investors who sell to "avoid the next bear market" end up missing part of the next bull market instead.

The bull market since 2022

The most recent bear market ended on **October 12, 2022**, when the S&P 500 closed at **3,577.03**, about 25% below its January 2022 high. From that low, a new bull market began. The index returned to a record high in January 2024, went through a deep correction in April 2025, and then climbed again.

On **October 6, 2026**, the S&P 500 closed at a record **7,818.93**, a gain of about **119%** from the 2022 low, in a bull market that had just passed its fourth birthday. Strong profits at large technology companies, especially those linked to artificial intelligence, played a big part.

No one knows how long it will last. Bull markets do not end because of their age, but because something changes the outlook for profits, interest rates or investor mood. This is exactly why understanding bear markets matters before one arrives.



Figure 4. The bull market that began in October 2022 survived a fall of 18.9% in 2025 and had more than doubled by October 2026.

The emotions of a market cycle

Market cycles are driven by people, and people's feelings follow a familiar pattern. Figure 5 shows a simplified version:

- Early in a bull market, after a fall, most investors are still **doubtful**, which is often when prices are cheapest.
- As prices rise, doubt turns into **optimism** and then, near the top, **excitement** and even **euphoria**, when everyone seems to be making money and risks are ignored.
- When prices start to fall, investors first feel **anxiety** and hope it is temporary, then **fear**, and finally **panic**, when many sell at any price, often near the bottom.
- Then the cycle begins again with **hope** and **relief**.

The danger is clear: the most comfortable moment to buy is often near the top, and the most painful moment to hold is often near the bottom. Knowing this pattern does not make the feelings go away, but it can help you recognise them in yourself.



Figure 5. Investors' feelings follow the market up and down, often making buying feel easiest near the top.

How long recovery takes

So far, the S&P 500 has always recovered from its bear markets and gone on to new highs. But the time it took, measured on price alone from the old high back to a new high, varied enormously:

- After the **2020** crash: about **six months** (February to August 2020).
- After the **2022** bear market: about **two years** (January 2022 to January 2024).
- After the **2007 to 2009** crisis: about **five and a half years** (October 2007 to March 2013).
- After the **2000 to 2002** crash: about **seven years** (March 2000 to May 2007), and the Nasdaq Composite took about 15 years.

Reinvested dividends shortened these periods a little, but the lesson stands: someone who invested everything at a peak could wait many years to break even, and a single stock may never recover at all. That is why diversification, investing in stages and keeping money you will need soon out of stocks matter so much, topics Lessons 14 and 15 cover.



Figure 6. Every past S&P 500 bear market was followed by a new high, but the wait ranged from months to years.

Living through bull and bear markets

Investors and traders deal with market cycles in different ways:

- **Long-term investors** usually stay invested, because missing the strong rebounds that often come early in a new bull market can cost more than the bear market itself. Many keep investing regular amounts through the downturn, buying more shares at lower prices.
- **Traders** adjust to the trend. In a bull market, buying dips tends to work. In a bear market, sharp rallies of 10% or more are common but often fail, which is called a **bear market rally**. Some traders also profit from falling prices by short selling, an advanced and risky technique covered in the Intermediate level.
- **Everyone** benefits from a plan made in calm times: how much risk to take, when to add or cut, and how much cash to keep.

Bull and bear markets are part of the same cycle. The goal is not to avoid every fall, which no one can do, but to make sure no fall can force you out of the market at the worst possible moment.

Why this matters for traders

- **Trade with the main trend.** Strategies that work in bull markets, such as buying dips, often fail in bear markets, and the opposite is true too.
- **Bear market rallies are sharp.** Some of the biggest one-day gains in history came during bear markets. A strong day does not by itself mean the bear market is over.
- **Volatility rises in bear markets.** Daily swings get larger, spreads widen and gaps become more common, so position sizes should usually shrink.
- **Judge the trend by its structure.** Corrections happen on every time frame. As long as the highs and lows keep rising, a fall is a correction inside the uptrend. No fixed percentage tells you that the trend has changed.

Key terms

Bull market	A long uptrend, with higher highs and higher lows, and general investor confidence.
Bear market	A long downtrend, with lower highs and lower lows, and fading investor confidence.
Correction	A move against the main trend, after which the trend often continues. Its size depends on the time frame.

All-time high	The highest closing level an index or stock has ever reached.
Drawdown	The fall from a high to a later low, usually shown as a percentage.
Bubble	A period when prices rise far above what profits or fundamentals can justify, often driven by excitement.
Recession	A significant fall in economic activity, often defined as at least two quarters of shrinking output.
Bear market rally	A sharp but temporary rise in prices during a bear market.
Recovery time	How long it takes prices to climb back from a bear market to their previous high.

Key takeaways

1. A bull market is a long uptrend with higher highs and higher lows. A bear market is a long downtrend with lower highs and lower lows. A correction is a move against the main trend, and its size depends on the time frame.
2. Since 1928 the S&P 500 has had 27 bear markets, averaging about 289 days and a 35% fall. Bull markets averaged about 988 days and a 112% gain.
3. Famous bear markets ranged from about −86% (1929 to 1932) to about −25% (2022), with very different causes.
4. The bull market that began on October 12, 2022 had gained about 119% by its record close on October 6, 2026, despite an 18.9% fall in 2025.
5. Recoveries have taken from about six months to about seven years. A plan made in calm times helps you avoid selling at the worst moment.

Test yourself

Circle one answer for each question. The answer key with explanations is on the next page. You can also take this quiz online at markettalks.info and see your score instantly.

1. What is a bear market?

A Any day the market falls

B A short fall of a few percent

C A long downtrend, with lower highs and lower lows

D A year with no dividends

2. In 2025, the S&P 500 fell 18.9% from February 19 to April 8, then went on to new highs. What was this fall?

A A bear market

B A deep correction inside the bull market

C A bull market

D A recession

3. According to Hartford Funds and Ned Davis Research, about how long has the average S&P 500 bear market lasted since 1928?

A About 289 days

B About 2 weeks

C About 5 years

D About 10 years

4. Over the past 95 years, roughly what share of the time were stocks NOT in a bear market?

A About 22%

B About 50%

C About 78%

D About 99%

5. Which bear market was the deepest of these?

A 2020, COVID-19

B 2022, inflation and rates

C 2007 to 2009, financial crisis

D 1929 to 1932, Great Depression

6. When did the current bull market begin?

A March 9, 2009
B March 23, 2020
C October 12, 2022
D April 8, 2025

7. In the typical emotional cycle, when do many investors feel most comfortable buying?

A Near the bottom, during panic
B Near the top, during excitement and euphoria
C Only on holidays
D Investors feel the same all the time

8. After the 2000 to 2002 crash, about how long did the S&P 500 take to return to its March 2000 high, on price alone?

A About six months
B About two years
C About seven years
D It never recovered

Answer key

1 C

A long downtrend, with lower highs and lower lows

A bear market is a long period of falling prices, in which each high and each low is lower than the one before. A short move against the main trend is a correction.

2 B

A deep correction inside the bull market

The fall went against the main uptrend, and prices then made new highs, so the uptrend continued. That makes it a deep correction inside the bull market that began in 2022.

3 A

About 289 days

The average bear market lasted about 289 days, roughly nine and a half months. The average bull market lasted about 988 days.

4 C

About 78%

Bear markets covered about 21 of the last 95 years, so stocks were rising about 78% of the time.

5 D

1929 to 1932, Great Depression

The S&P 500 fell about 86% from 1929 to 1932. The 2007 to 2009 crisis brought a fall of about 57%.

6 C

October 12, 2022

The S&P 500's bear market low was on October 12, 2022 at 3,577.03. After the 2025 fall of 18.9%, the index made new highs and the bull market continued.

7 B

Near the top, during excitement and euphoria

Rising prices make buying feel safe, so many investors buy near the top and sell in panic near the bottom, the opposite of what works.

8 C

About seven years

The index regained its March 2000 high in May 2007, about seven years later. After the 2020 crash, recovery took only about six months.

SOURCES

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