Chart of the Day

LEARN MORE
Click Here

In recent weeks, numerous business and market leaders have made notably vague predictions of a 10-20% US equity market correction at some point over the next 12-24 months. We agree, though that would have been our view on several occasions over recent years. Simply stated, equity market corrections are fairly common and typically occur within these statistical ranges.

Admittedly, the bearish tone of broad pronouncements on the size and timing of such corrections can be informative, but so too has been the absence of historical context. Since WW2, there have been 37 US equity market corrections of 10% or more, 13 of which have been bear market corrections (peak to trough declines of 20% or more). **In fact, there have been three distinct bear market corrections in excess of 20% over the last five years alone.** In terms of frequency, 10% and 20% corrections occur every 2.2 and 5.6 years on average, respectively. Having had a 20% correction in April 2025, the current bull market recovery is already seven months old.

More importantly, bull market runs typically well exceed their bear market counterparts in both duration and magnitude. Over the last 50 years, bull markets have averaged 76 months (> 6 years) in duration, while bear markets have averaged 15 months.

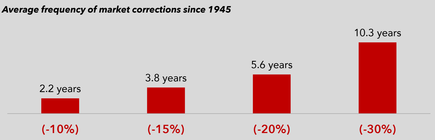
Primary reasons supporting the likelihood of near-term correction: High valuations well above 5 year avg P/E multiples; elevated trade policy risk; persistent inflation; weakening US consumer; concentration risk given narrowness of market leadership (i.e., Mag 7); uncertainty regarding capital returns on tech capex spending.

Primary reasons favoring a continuation of the US equity bull market cycle: Resilience of US economy; strength of corporate earnings growth; supportive monetary and fiscal policy; lower energy prices and weaker dollar; extraordinary tech and AI capex supercycle; US corporate exceptionalism and innovation.

Frequency of Equity Market Corrections

In terms of frequency, 10% and 20% corrections occur every 2.2 and 5.6 years on average, respectively. Having had a 20% correction in April 2025, the current bull market recovery is already seven months old.

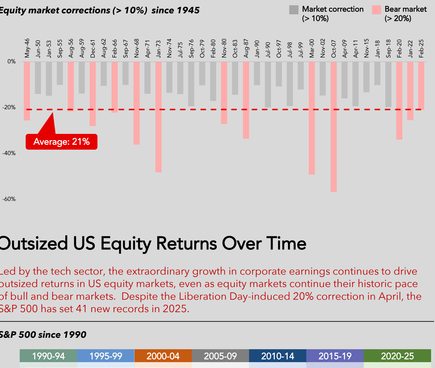
Average frequency of market corrections since 1945



US Equity Market Corrections Since WW2

Since WW2, there have been 37 US equity market corrections of 10% or more, 13 of which have been bear market corrections (peak to trough declines of 20% or more). In fact, there have been three distinct bear market corrections in excess of 20% over the last five years alone.

Equity market corrections (> 10%) since 1945



Outsized US Equity Returns Over Time

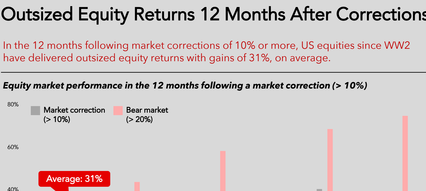
Led by the tech sector, the extraordinary growth in corporate earnings continues to drive outsized returns in US equity markets, even as equity markets continue their historic pace of bull and bear markets. Despite the Liberation Day-induced 20% correction in April, the S&P 500 has set 41 new records in 2025.

S&P 500 since 1990

Bull Markets Longer and Larger Than Bear Markets

Bull market runs typically well exceed their bear market counterparts in both duration and magnitude. Over the last 50 years, bull markets have averaged 76 months (> 6 years) in duration, while bear markets have averaged 15 months.

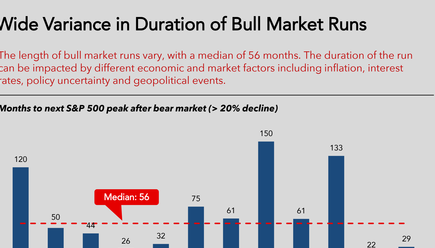
Length and magnitude of bull and bear markets since 1975



Outsized Equity Returns 12 Months After Corrections

In the 12 months following market corrections of 10% or more, US equities since WW2 have delivered outsized equity returns with gains of 31%, on average.

Equity market performance in the 12 months following a market correction (> 10%)



Wide Variance in Duration of Bull Market Runs

The length of bull market runs vary, with a median of 56 months. The duration of the run can be impacted by different economic and market factors including inflation, interest rates, policy uncertainty and geopolitical events.

Months to next S&P 500 peak after bear market (> 20% decline)

Source: (1-6) Bloomberg. Data as of November 5, 2025.

**Global Corporate & Investment Banking
Capital Markets Strategy Team**

Tom Joyce
Managing Director
Tom.Joyce@mufgsecurities.com
(212) 405-7472

Stephanie Kendal
Vice President
Stephanie.Kendal@mufgsecurities.com
(212) 405-7443

Angela Sun
Associate
Angela.Sun@mufgsecurities.com
(212) 405-6952

"Macro stability isn't everything, but without it, you have nothing."