Ready for a Bear Market? MoneyRates Clarifies Investor Attitudes

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Investors differ on what constitutes a bear market, and fewer are equipped to handle it

Foster City, CA – Nov. 19, 2020 – The stock market can be a bear. As the market cycles through both bull and bear markets, investor attitudes shape how they react to events. Still, many are unclear about stock market cycles and may be ill-equipped to assess the impact of major economic events such as the pandemic or the election, explains MoneyRates.com.

To better grasp the attitudes of American investors and how they would deal with a bear market, the personal finance website conducted a new survey. Results reveal that individual expectations vary as to what a bear market is - no single definition appears to be held by a majority.

The survey finds that the most popular bear market definition (“a loss of 10% or more that took at least a year to recover” was held by 33.07% of responding investors. Roughly 27% believed that a bear market was a “loss of 20% or more,” the second-most-popular definition.

Find the full study here: Survey: Are You Ready for a Bear Market?

“Apparently, people aren’t quite sure what to expect from a bear market, based on the survey responses,” says Richard Barrington, MoneyRates’ senior financial analyst and the survey’s author. “This includes how much they may lose and how long the loss could last. More experienced investors seem to have a keener sense of the damage a bear market can cause.”

Other survey highlights:

- Nearly 44% said a bear market occurred earlier in the year, near the start of the pandemic.
- The market’s decline of about 30% from mid-February to mid-March seems severe. But it took less than six months for the markets to recover, explaining why some investors differ on their memories of this.
- This year suffered falling company earnings but rising stock prices—a dangerous combination.
- Most investors in the survey report that a bear market would affect their lifestyle in the coming year.
- Just over 41% reported the election as being the biggest potential threat to the stock market, while nearly 36% cited the coronavirus as the most significant threat.

Notably, respondents show differences about the best way to shelter investments from a bear market, with cash equivalents such as savings accounts being the most popular, followed by corporate bonds.

The typical American investor, as opposed to seasoned financial professionals, rarely has the time or resources to follow conditions that cause stocks to cycle. To get help with steering investments through cycles include, investors should consider: asset allocation funds; robo advisors; and professional financial advisors.

The happier cousin to the bear market, a bull market is a sustained rise in the stock market, usually marked by long-lasting periods that hit record highs, explains Barrington.

“If everyone could predict a bear market, they’d get out in advance,” adds Barrington. “Instead, people tend to pile into markets as they're hitting their peaks and, conversely, panic out of them if prices fall."

Methodology

In its Op4G survey, MoneyRates surveyed 251 people who had at least $25,000 in stock investments. Barrington is available for interviews.

About MoneyRates

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Facebook: www.facebook.com/MoneyRatesdotcom

Media contact

Charlene Arsenault
Media Outreach Specialist
carsenault@quinstreet.com
Direct +1.508-832-8918
LinkedIn