

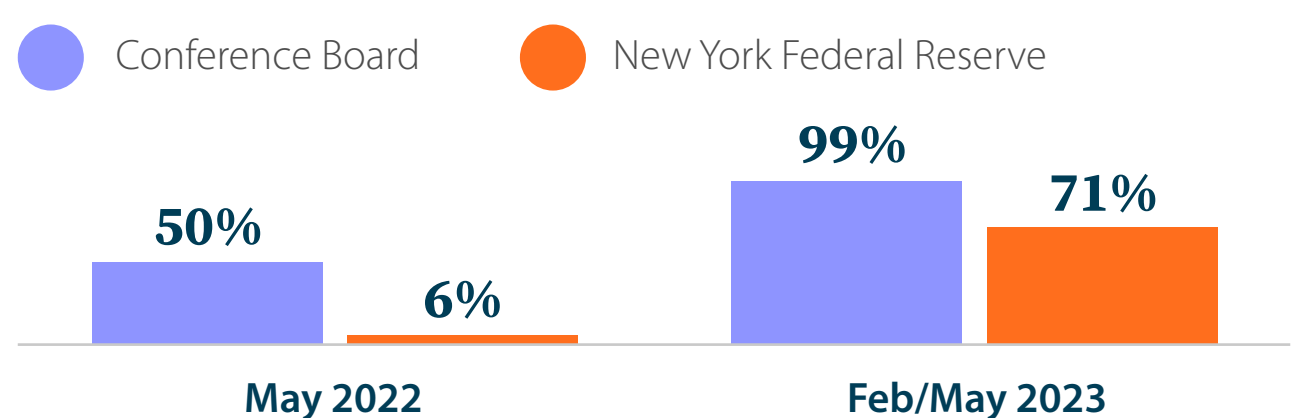
Fact or Fiction What Investors Need to Know About Recessions



Both the Conference Board and the New York Federal Reserve believe the likelihood of a U.S. recession is growing.

Probability of U.S. Recession in Next 12 Months

Amid this economic uncertainty, investors can uncover insights from past recessions and gauge any potential impacts on their portfolio.



Source: Conference Board, 04/12/2023, New York Federal Reserve, 06/03/2023.
In 2023, Conference Board data is as of February and New York Federal Reserve data is as of May.

“The Stock Market Typically Bottoms Out Before A Recession is Declared”



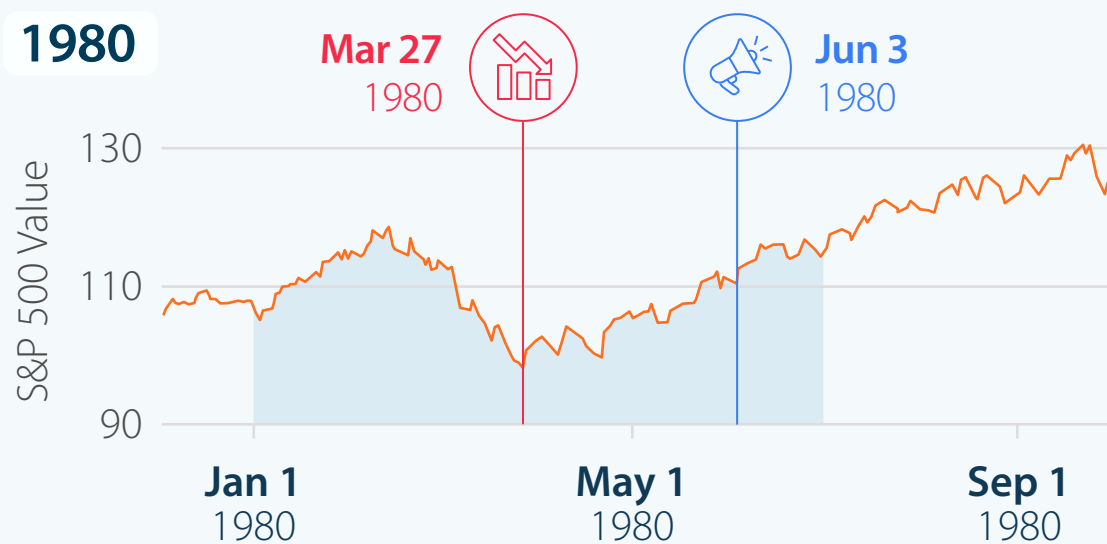
FACT

In 4 of the last 6 recessions, the market bottomed out before the National Bureau of Economic Research (NBER) announced a recession.

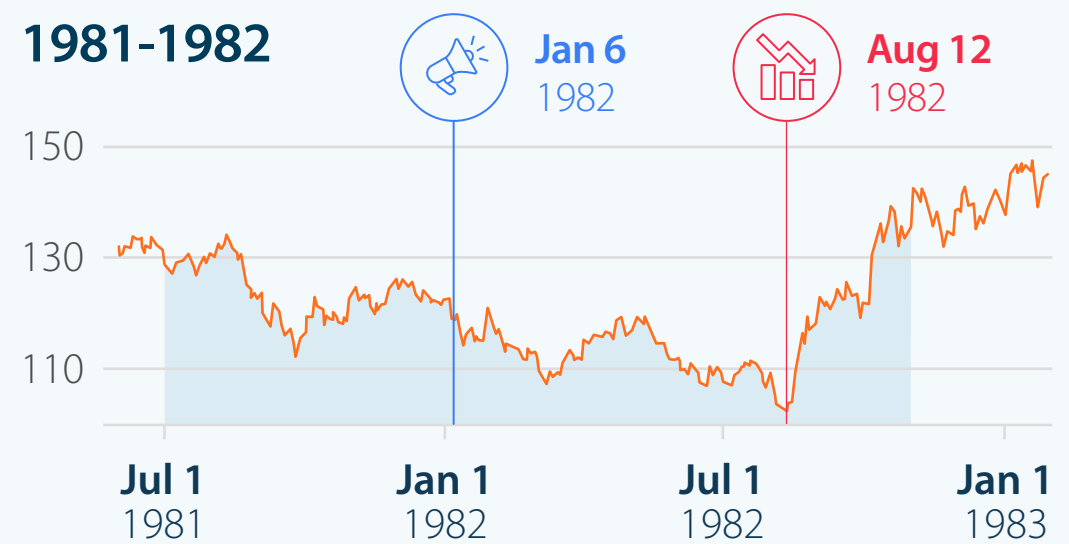
S&P 500 Index Lows During Recessions

Recession Market Low Recession Announcement

1980



1981-1982



1990-1991



2001



2007-2009



2020



Investors should avoid fear-based decisions if a recession announcement is made. Historically, especially in the case of short-lived recessions, the worst market losses have already occurred.

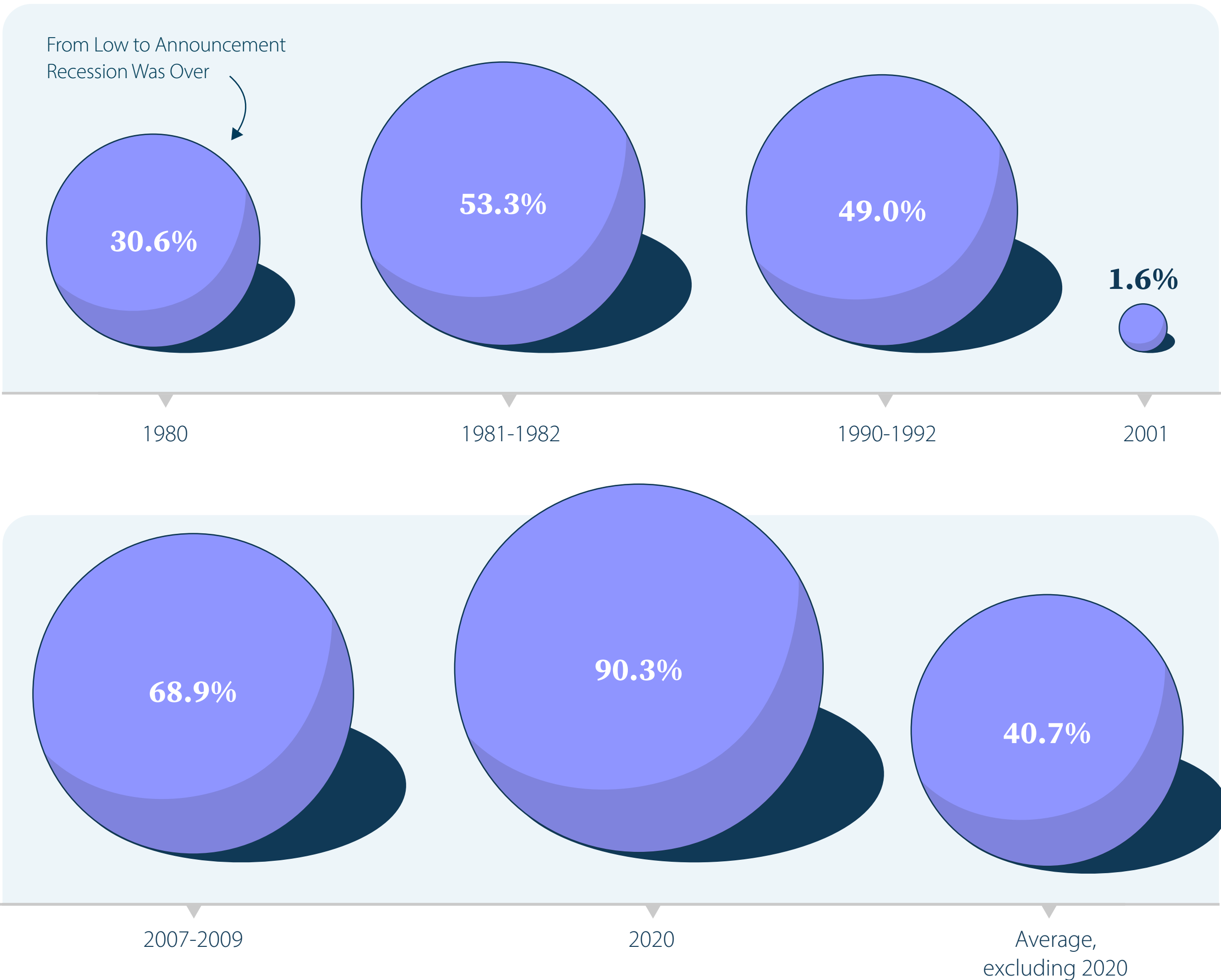
“Recessions Are a Bad Time to Invest”



FICTION

Stock markets have historically begun to recover before a recession is declared over. Investors who waited for clear signs a recession had ended would have missed out on market gains.

S&P 500 Index Gains From Recession Lows



Price to earnings ratios have also dipped near the beginning of most recessions since 1980, indicating that stocks may have been attractively priced.¹

¹ Macrotrends, 06/01/2023.

Source: Yahoo Finance, 06/01/2023, National Bureau of Economic Research, 06/01/2023. Past performance is no guarantee of future results. An investment cannot be made directly into an index. Index definitions can be found at the end of this piece.

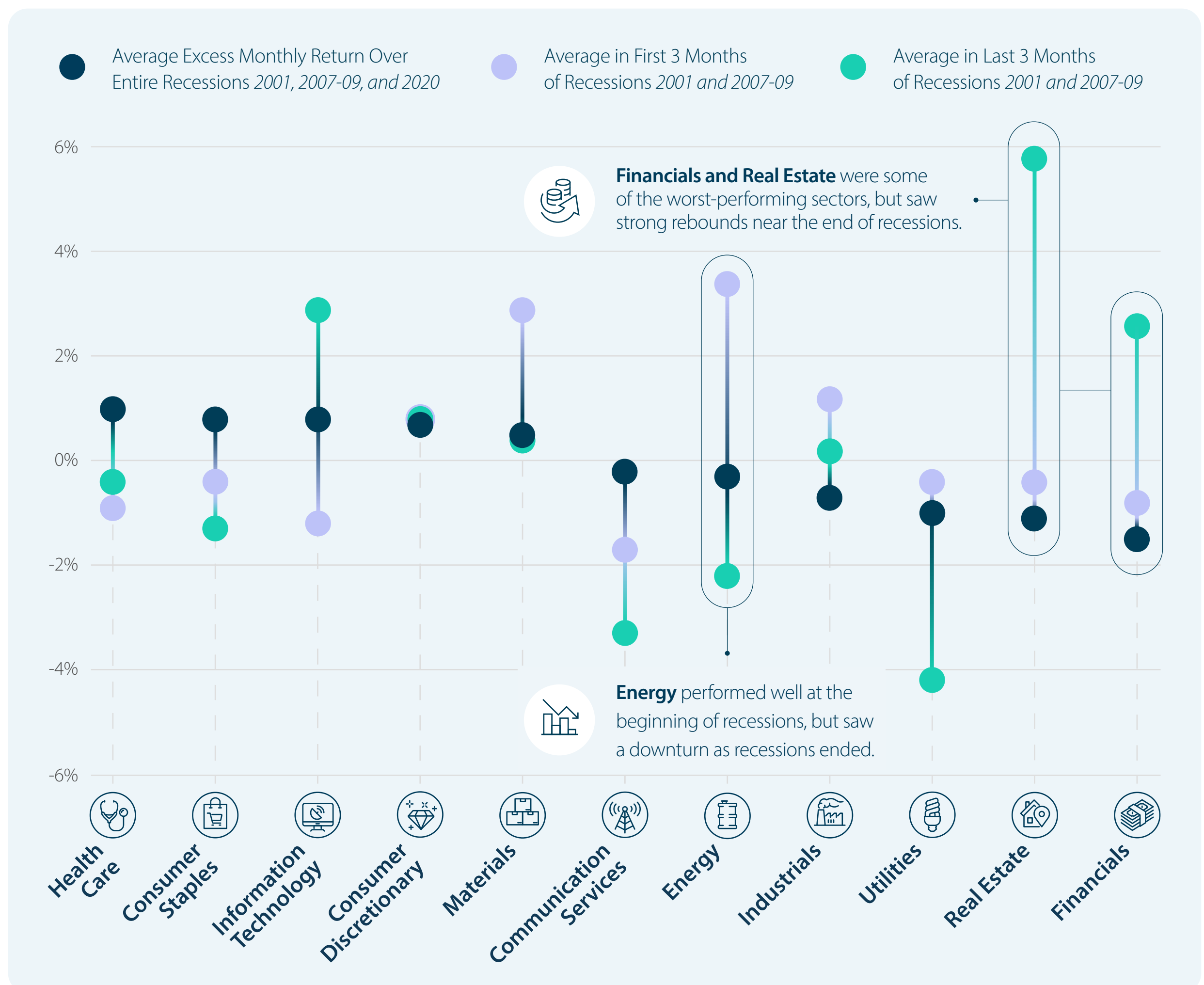
“Sector Performance Varies Over the Course of a Recession”



FACT

The Health Care, Consumer Staples and Information Technology sectors performed the best overall during the last 3 recessions. However, other sectors have outperformed either at the start or end of recessions.

Excess Monthly Returns of S&P 500 Sectors vs. S&P 500 Index



Given that the exact timing of a recession is hard to decipher, investors may want to consider diversifying their sector exposure.

Source: Yahoo Finance, 06/01/2023. Excess returns measure the average performance of the applicable S&P 500 sector index against the S&P 500. Real estate sector data is only available for the 2007-2009 and 2020 recessions and was previously reflected in the Financials sector. Past performance is no guarantee of future results. An investment cannot be made directly into an index. Index definitions can be found at the end of this piece.

Making Informed Decisions

While recessions can make investors fearful, history teaches us ways to navigate the markets.

Avoid Panic Selling

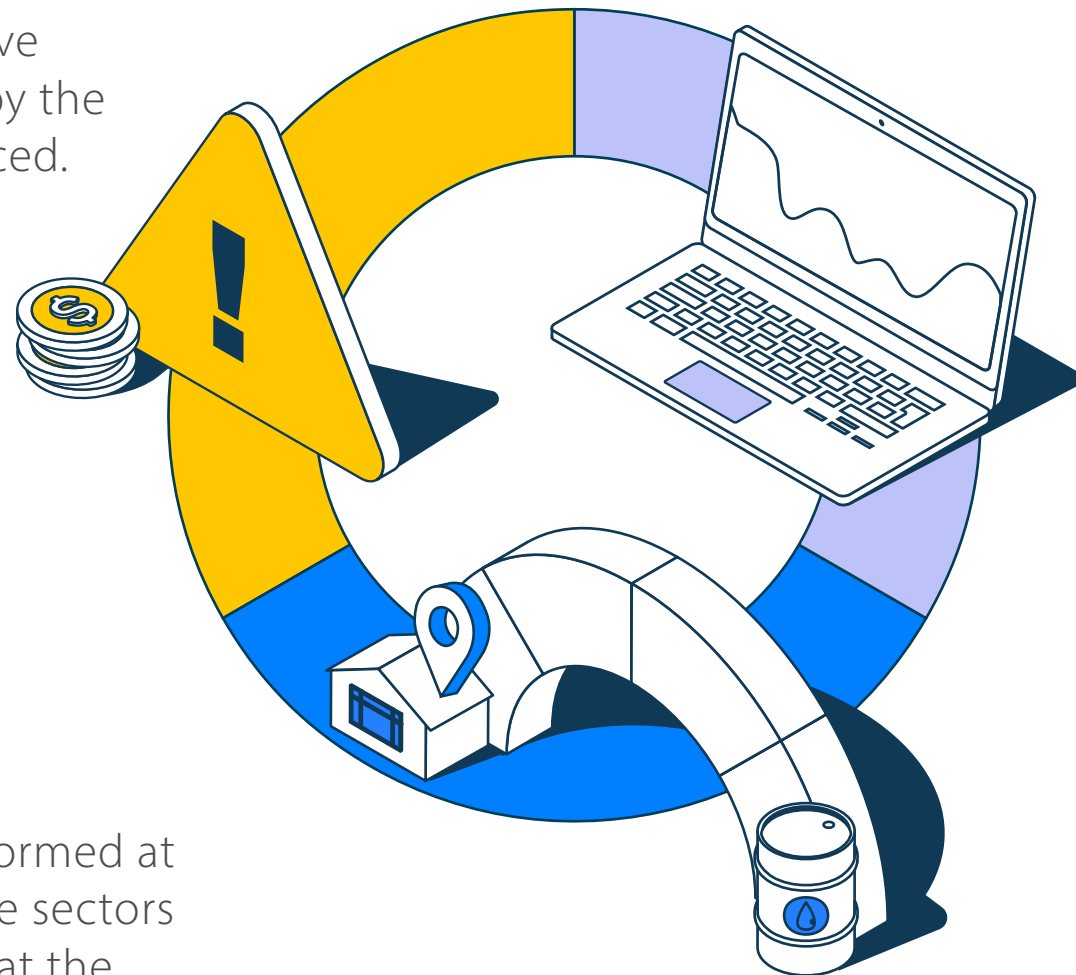
The worst market losses have typically already occurred by the time a recession is announced.

Diversify Sector Exposure

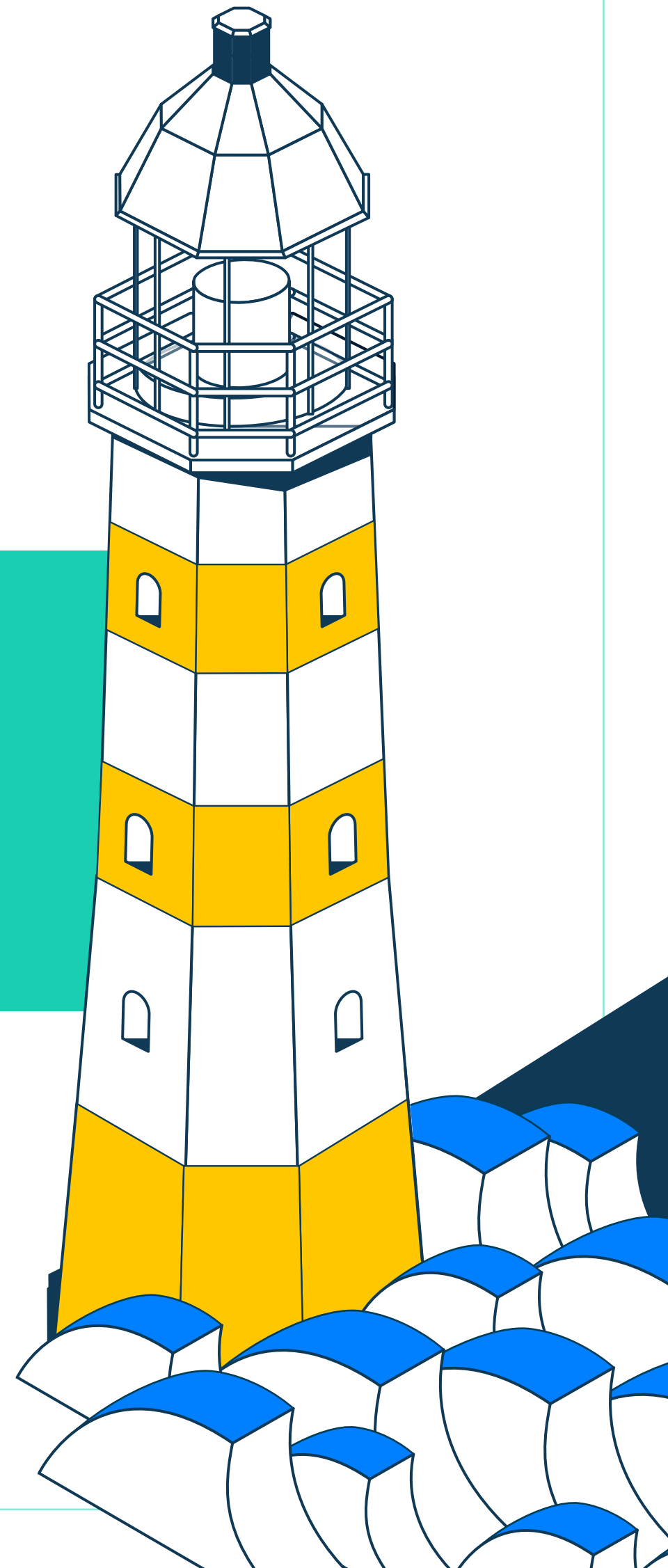
Sectors like Energy outperformed at the start of recessions, while sectors like Real Estate rebounded at the end of recessions.

Explore Market Opportunities

If an investor waited to invest until there were clear signs a recession was over, they would have missed out on market gains.



By considering these tips, investors may be better positioned to remain resilient during downturns.



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The **Conference Board Leading Economic Index** is an American economic leading indicator intended to forecast future economic activity. **The New York Federal Reserve Probability of U.S. Recession** is based on the difference between the 10-year and 3-month Treasury rates. **The S&P 500 Index** is an unmanaged index that is widely regarded as the standard for measuring large-cap U.S. stock market performance. **The National Bureau of Economic Research (NBER)** traditionally defines recession as a significant decline in economic activity that is spread across the economy and that lasts more than a few months. **The S&P 500 Communication Services Index** comprises those companies included in the S&P 500 that are classified as members of the GICS communication services sector. **The S&P 500 Consumer Discretionary Index** comprises those companies included in the S&P 500 that are classified as members of the GICS consumer discretionary sector. **The S&P 500 Consumer Staples Index** comprises those companies included in the S&P 500 that are classified as members of the GICS consumer staples sector. **The S&P 500 Energy Index** comprises those companies included in the S&P 500 that are classified as members of the GICS energy sector. **The S&P 500 Financials Index** comprises those companies included in the S&P 500 that are classified as members of the GICS financials sector. **The S&P 500 Health Care Index** comprises those companies included in the S&P 500 that are classified as members of the GICS health care sector. **The S&P 500 Industrials Index** comprises those companies included in the S&P 500 that are classified as members of the GICS industrials sector. **The S&P 500 Information Technology Index** comprises those companies included in the S&P 500 that are classified as members of the GICS information technology sector. **The S&P 500 Materials Index** comprises those companies included in the S&P 500 that are classified as members of the GICS materials sector. **The S&P 500 Real Estate Index** comprises those companies included in the S&P 500 that are classified as members of the GICS Real Estate sector. **The S&P 500 Utilities Index** comprises those companies included in the S&P 500 that are classified as members of the GICS utilities sector.

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