

# Duration of Economic Expansions and Recessions

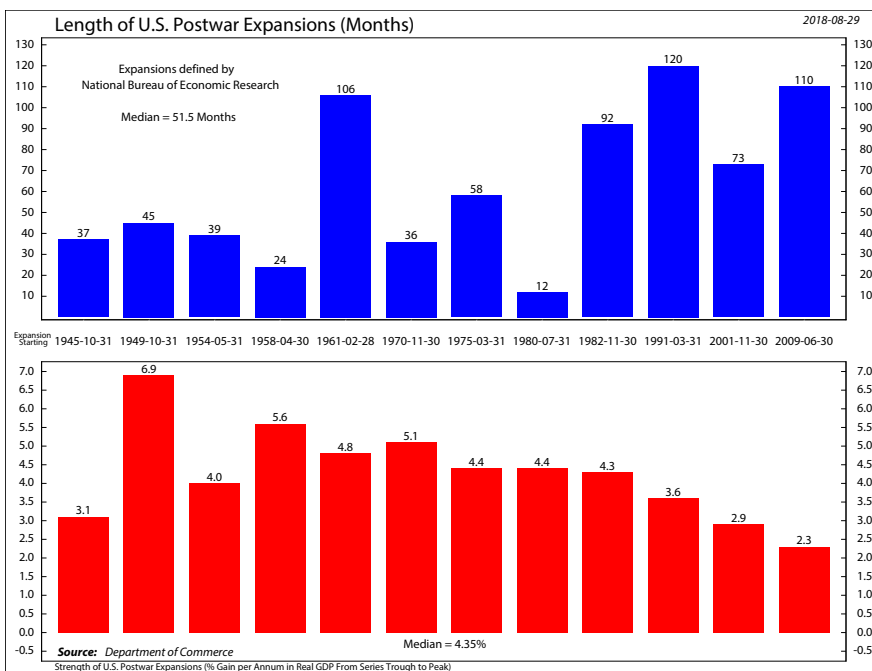
As we pass the halfway point in the 9th year of the current U.S. economic expansion, many investors are wondering when will it end. History shows us that all expansion ultimately gives way to recession, but we struggle still with all the anticipation. Taking a long-term view of economic cycles in the U.S. paints an interesting picture of the lengths of expansions and recessions that we think would surprise some investors.

## Long-Term Thinking

As the following two charts from Ned Davis Research show, the average post-World War II expansion in the U.S. has lasted an average of 51.5 months. The average post-war recession has lasted only 10 months. So expansion cycles over the last seven plus decades have been five times longer than recessions. Put another way, for the last 72 years, the U.S. has been in an economic expansion more than 86% of the time and in a recession just under 14% of the time.

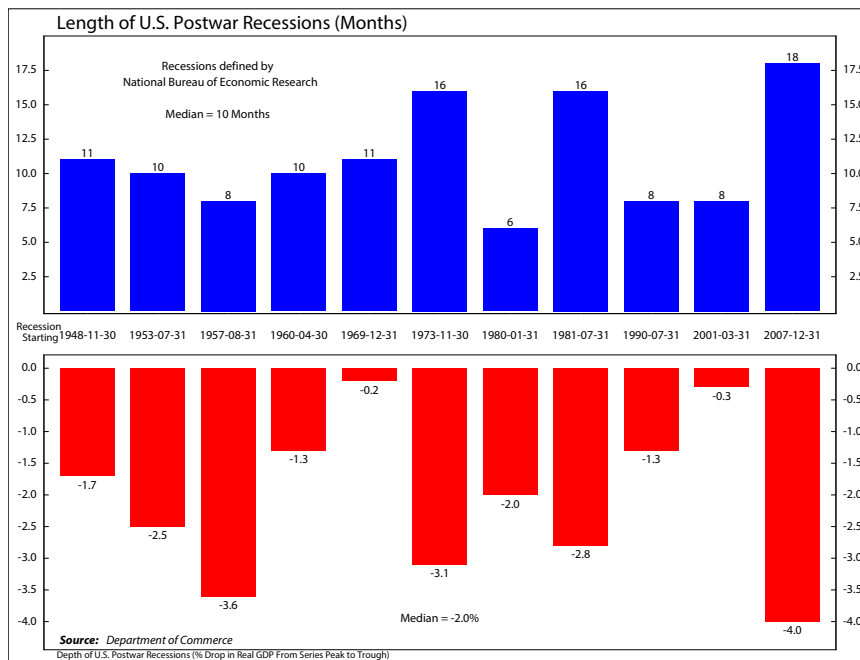
Perspective is important here. The business cycle has not been repealed and we will have a downturn at some point. However, as investors we have to keep in mind that history shows we will spend most of our investing life within growth periods. Therefore, our psychology should not be so impacted by periods that, in the long run, are present for only short amounts of time. Rather, we should objectively monitor factors that indicate our place in the business cycle and allocate assets accordingly.

**Chart 1**



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## Chart 2



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## Recent cycles

An interesting development of the last few cycles is, as you can see from Chart 1, that expansion cycles since 1980 have been much longer in duration than those that followed from WWII through the 1970's. Starting with the expansion in 1982, the average economic expansion lasted almost 99 months, or just over 8-years. The subsequent recessions (seen in Chart 2) have lasted just over 12-months, which is not significantly longer than the post-WWII average (10 months). So again the expansions are dramatically longer than the contractions.

The current expansion reaching 110 months is long but does match the trends of recent cycles. Angst is great today and everyday we hear of people's concerns around the economy and the markets. We spend a great deal of effort building asset allocation models that are appropriate for where we are in the current business cycle. We take a balanced approach to our analysis and try our best not to let the emotions of the markets sway our thinking. When we eventually do enter the next economic recession, we will strive to be prepared to take advantage of what opportunities might come our way, knowing that the next upturn might be right in front of us.

In recognizing that business cycles occur on a regular basis and that, in many cases, one unanticipated event can result in a market correction, we view planning ahead for any short term goals as very important. We are here to review your overall financial situation and work with you to meet your short term cash needs while maintaining a disciplined investment strategy to work toward achieving your long term goals.

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