How stock markets perform after heavy falls

From time to time, stock markets can go through periods of uncertainty. This could be due to poor economic news or perhaps due to unprecedented events such as the Covid-19 pandemic or political crises. The sharp falls that can be experienced at these times can be understandably unsettling for investors. They can even tempt someone to change their long-term plan by selling their investments.

The Covid-19 pandemic and Russia's invasion of Ukraine in early 2022 are two examples of events in recent years that drove uncertainty in markets. While we saw an initial downturn in markets triggered by these, in each instance, markets have made significant recoveries.

This pattern reaffirms that while stock markets can be quick to react to unforeseen events - as history has shown us - they also have a tendency to bounce back strongly over time. This creates a dilemma for investors who try to time such market events by stepping out of the markets, with a view to reinvesting when the worst of any particular crisis has passed.

A look back in time

Sharp falls in stock markets tend to be concentrated in short periods of time. Similarly, the biggest gains often occur together.

To help illustrate this, we have analysed the performance of the global stock market over the last 50 years and identified the biggest daily falls and how markets have recovered 1 year and 5 years after the event (see Figure 1).

As Figure 1 demonstrates when an unforeseen event occurs, markets react swiftly and at times dramatically to that news. However, history has also shown that there is a tendency to recover (and recover strongly) particularly over the longer term.

Figure 1: The global stock market's worst days and their rebounds (31.12.1971 to 28.01.2025)

	Date	Daily fall	Return after 1 year	Return after 5 years
Covid 19 Pandemic	12.03.2020	-9.92%	58.0%	N/A
Black Monday (1987)	19.10.1987	-9.84%	10.2%	16.1%
Covid 19 Pandemic	16.03.2020	-9.51%	65.8%	N/A
Black Monday (1987)	20.10.1987	-8.27%	21.3%	26.2%
Covid 19 Pandemic	09.03.2020	-7.17%	38.4%	N/A
Global Financial Crisis	15.10.2008	-7.06%	22.8%	64.0%
Global Financial Crisis	01.12.2008	-7.01%	41.1%	96.1%
Global Financial Crisis	29.09.2008	-6.95%	-3.3%	33.6%
Global Financial Crisis	22.10.2008	-6.41%	27.9%	77.0%
Global Financial Crisis	20.11.2008	-6.10%	48.5%	108.9%
Black Monday (1987)	26.10.1987	-5.98%	24.7%	29.1%
Global Financial Crisis	06.11.2008	-5.89%	22.4%	73.8%
Global Financial Crisis	06.10.2008	-5.77%	4.5%	44.2%
European Sovereign Debt Crisis	08.08.2011	-5.12%	12.6%	51.8%
Covid 19 Pandemic	18.03.2020	-5.12%	66.6%	N/A
Soviet Coup D'état Attempt	19.08.1991	-5.08%	1.9%	62.8%
Covid 19 Pandemic	11.06.2020	-4.98%	39.8%	N/A
Global Financial Crisis	10.10.2008	-4.98%	25.2%	69.8%
Global Financial Crisis	02.03.2009	-4.93%	61.0%	134.7%
Brexit	24.06.2016	-4.90%	19.7%	87.3%

Source: Bank of Ireland Investment Markets, 05.02.25. MSCI World index in US dollars has been used as a representative of the global stock market.

Adrian O'Sullivan,
Head of Investment Sales, Bank of Ireland Life

WARNING: Past performance is not a reliable guide to future performance.
WARNING: The value of your investment may go down as well as up.

How stock markets perform after heavy falls (cont'd)

The emotions of investing

Sharp falls in markets are often testing times for investors. We know that investors feel the pain of loss roughly two times more than the pleasure of equivalent gains. This is why some investors choose to make significant changes to their investments when faced with fast moving market, economic and political developments.

As Figure 1 shows, timing an investment in global stock markets is extremely difficult and investors may miss out on significant returns when trying to avoid market uncertainty.

The best advice is usually to try to keep emotions out of the decision making process, and unless your circumstances have changed, to remain invested over the long-term and when in doubt to seek advice from your Advisor.

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Next Steps

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