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Verdad Weekly Research

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Crisis Investing

How to Maximize Returns During Market Panics

We are 10 years into one of the longest bull markets in history. But what if the market turns? What if greed turns to fear, optimism to pessimism?

This concern – amplified by the salient pain of the 2008 global financial crisis – has led many investors to set aside portions of their portfolios in cash, bonds, and gold. They imagine that in another March 2009 (or February 2016 or December 2018), they'll have the fortitude to buy the dip, deploying their sleep-at-night money into risk assets at the bottom.

But if history is any indicator, those skittish during the great bull market will be panic-stricken when volatility hits. Fund flows into risk assets are, after all, pro-cyclical, rising in good times, falling in bad times. In the fog of war, most people's decision-making abilities are impaired, not heightened.

What investors need then is a clear understanding of what worked and didn't work in prior crises.

We have spent the past year studying every financial crisis in the US since 1970. We have done this work for your benefit, so that you will keep your head when all about you are losing theirs. When weak hands fold, when forced sellers liquidate, we hope this research will help you make good decisions.

To develop this in-depth analysis of market panics, we looked at every major asset class, every sector, and every quantitative factor. We looked at index-level data, and then we built a database of security-level data. We read through the newspapers during each panic to understand what investors most feared.

And we distilled the lessons from this massive study into a 77-page in-depth report. Over the next three weeks, we will highlight a few key sections of the report, looking broadly at how different asset classes performed and then specifically at what factors predicted equity returns and what factors predicted bond returns. We have also included a link to the full report below.

A variation of an ancient Roman proverb says: "fortuna eruditae favet." Fortune favors the prepared mind. We hope you enjoy reading our new study.

[Click here to download our full report on Crisis Investing](#)

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