

## The Biggest Investing Lessons From the Covid-19 Crash and Rebound

### Do You Remember Five Years Ago Today?

It was late February 2020. Something called the novel coronavirus was spreading. It had started in Asia, then moved to Europe, and was now making its way through the U.S. We had no idea how bad it would get.

I was a guest on a podcast recorded at the end of February, and we discussed whether the virus would end up being a pandemic; would it be like another SARS—serious, but relatively contained? Or something far worse? No one knew. We were standing on a precipice, peering into the unknown.

And if, on that day, we had been handed a crystal ball that revealed the next few years—lockdowns, international travel halted, hospitals overwhelmed, mass layoffs, businesses shuttering, trillions in government stimulus, and an eventual death toll in the millions—but *not* what the stock market would do, what would you have done?

Most of us would have sold out of the stock market. And we would have been horribly wrong.

Because despite everything that unfolded, the S&P 500 is up 112% cumulatively over the last five years—an astonishing 16.3% annualized return. Even from that moment just before a 33% market drop, the market has rewarded long-term investors handsomely.

Looking back, there are five key lessons to take from what we've experienced over the last five years.

### 1. The Stock Market Is Not The Economy

In March 2020, the U.S. economy seemed to be spiraling into an abyss. The unemployment rate shot up to nearly 15%, the worst since the Great Depression. GDP plummeted, falling over 9% in the second quarter of 2020. Government stimulus checks were sent out just to keep households and businesses afloat (remember PPP Loans?).

Yet, in the middle of all this chaos, the stock market bottomed on March 23, 2020, and then began one of the strongest rallies in history. By the summer of 2020, as Covid-19 cases and deaths were still climbing, the market had fully recovered. By the end of the year, it was hitting new all-time highs.

How did that make sense? It didn't—unless you understood a core investing truth: Markets are forward-looking. Stock prices reflect what investors expect to happen, not what's happening today. By the time the worst economic data was being reported, the market had already moved on.

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If there's a single takeaway from the last five years, it's this: The stock market is not the economy. Or, as I explain in my book, *The Uncertainty Solution*: "The stock market and the economy are related, but that doesn't mean they rise and fall in tandem. Just because the economy is contracting doesn't mean that the stock market will decline. History shows us that GDP growth is not a good predictor of future stock prices."

That lesson was never clearer than in the aftermath of the Covid crash. This is why trying to time the market based on economic news is a losing game.

### 2. If It's Expected, It's Priced In

What actually moves markets? Not expected news. Rather, it's the unexpected—the surprises—that move markets.

By March 2020, everyone knew the economy was in freefall. But what most people didn't anticipate was just how aggressive the government and Federal Reserve would be in responding.

The Fed slashed interest rates to near zero. Congress passed multitrillion-dollar stimulus bills. The government backstopped businesses, sent out direct payments to households, and kept credit markets from freezing. Covid-19 treatments improved, we learned more about how to fight the virus, and Operation Warp Speed delivered vaccines in record time.

Markets didn't react to the bad economy—they reacted to what would happen next. The massive government response exceeded expectations, and that sent markets soaring.

This is why reacting to headlines is a mistake. If everyone already expects bad news, it's already baked into stock prices. The market only moves when reality turns out better (or worse) than what was expected.

### 3. Market Timing Is A Fool's Game

If you had sold your investments in February or March 2020, hoping to avoid further losses, you would have likely been too scared to buy back in.

The market didn't recover gradually—it exploded upward. The S&P 500 gained 45% in just three months after its March 2020 low. Investors who waited for "clarity" or for the economy to improve missed some of the best days in market history. And those few days make an enormous difference.

Trying to time the market almost always backfires. The biggest stock market gains tend to happen when things feel most uncertain.

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### 4. Feedback Loops Drive Markets—Both Up and Down

Beginning March 2020, something strange happened. Americans hoarded toilet paper. Why? Not because supply chains had collapsed or because Covid caused a sudden increase in demand for TP. Instead, it was a feedback loop:

- Someone saw other people buying in bulk.
- They panicked and bought some for themselves.
- That made the shelves look emptier.
- More people saw the empty shelves and joined the rush.

The exact same thing happens in financial markets. The 2020 stock market crash was a feedback loop of fear. The 2020 recovery was a feedback loop of optimism.

Market movements are not just about fundamentals—they're also about psychology. The actions of individual investors can compound into large, irrational moves in both directions. This is why investing based on short-term movements—rather than a disciplined strategy—is so dangerous.

### 5. The Market Rewards Resilience

Five years after the Covid crash, the world looks completely different. The worst economic fears never materialized. Companies adapted. People adjusted. Markets recovered. And this sort of thing has happened over and over. Markets have endured:

- World wars
- The Great Depression
- The 1970s stagflation
- The dot-com crash
- The Global Financial Crisis
- A global pandemic

And yet, through all of it, the stock market has continued to march higher over time.

The lesson: Resilience wins.

The S&P 500's 112% cumulative return since February 2020 is just another example of why staying invested beats reacting to uncertainty.

### What Investors Should Take Away

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## What Investors Should Take Away

Nobody knows what the next five years will bring. But history tells us that those who stay invested—who embrace uncertainty rather than fear it—are the ones who come out ahead.

Because uncertainty isn't something to be feared—it's something to be acknowledged and navigated wisely.

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