16 Years After the Crash:What March 2009 Taught Us

Sixteen years ago, on March 6 2009, the S&P 500 plummeted to an intraday low of 666, a chilling figure that marked the bottom of the Global Financial Crisis (GFC). I recall that month vividly, as it marked a brutal unwinding of both US and global stock markets. The US index had shed over 50% of its value from its October 2007 peak of 1,565.

While the GFC is typically attributed to the collapse of the US housing bubble driven by rampant leverage, it was not triggered by a single event. Rather it was the culmination of multiple vulnerabilities in the global financial system. The crisis was characterised by the implosion of Lehman Brothers in September 2008, followed six months later by the S&P500's low point. Panic reigned, liquidity evaporated, and markets spiralled into chaos.

Yet, that moment of near maximum pessimism, proved to be a turning point. From March 2009, the S&P 500 embarked on one of the longest bull runs in history, driven by aggressive monetary policy, government bailouts, and a slow rebuilding of investor confidence. Yes, we faced the 2020 pandemic crisis, but by early 2025, the index had soared to new all-time highs. This period has been a testament to the resilience of markets - and perhaps to a counterintuitive truth: higher volatility might be the price of higher returns.

The 2008-2009 downturn was a necessary purge of excess - shedding overvalued assets, and a large degree of speculative froth. While painful for all investors, it reset valuations to levels that made outsized gains possible. Historically, periods of elevated volatility, like the dot-com bust have often preceded some of the strongest long-term rallies.

Conclusion

Do markets need these violent shakeouts to fuel big rewards? The chaos of 2009 cleared the deck, setting the stage for a 16-year climb that has nearly tenfolded a US investment. While investment risk today in developed markets and specifically in the US is undoubtedly higher, that period reminds us that volatility is not just a risk – it's an inherent feature of the financial system that must always be considered.

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If you have any questions, Ian and our team would love to hear from you on global@seedinvestments.co.za.

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