

COVER

## The Bear's Back

By Randall W. Forsyth and Vito Racanelli July 7, 2008 12:01 am ET

Text size  

**IT'S OFFICIAL: THE BEAR HAS ARRIVED.** The Dow Jones Industrial Average last week qualified for the widely accepted definition of a bear market of a 20% drop from the highs. The good news is that once the decline reaches that arbitrary 20% mark, based on history, the market has suffered most of its losses. The bad news is that the decline typically drags on for some time, and time may be the worst enemy. Investors may initially try to grab erstwhile highfliers that have crashed and burned but rarely regain their former status. And as the decline wears down investors' psyches, they tend to bail out at the market's nadir, when things look bleakest -- and when the greatest opportunities present themselves.