

CHART OF THE MONTH

FEBRUARY 2022

Led by the Nasdaq, which was down more than 16% in January at its low a week ago Monday, the stock market rallied in the final two sessions of the month to cut its losses in one of the worst starts to a year ever. The S&P 500, in fact, posted its most negative monthly return (-5.2%) since the pandemic-induced sell off in March 2020.

Perhaps forgotten during the recent correction, the Dow Jones Industrial Average, S&P 500, and Nasdaq increased 100%, 117%, and 136%, respectively, from the lows on March 23, 2020 to December 31, 2021. In other words, these indexes had at least doubled over the prior 1-3/4 years. As such, it should not be surprising that the stock market gave back some of the outsized gains after an almost uninterrupted advance.

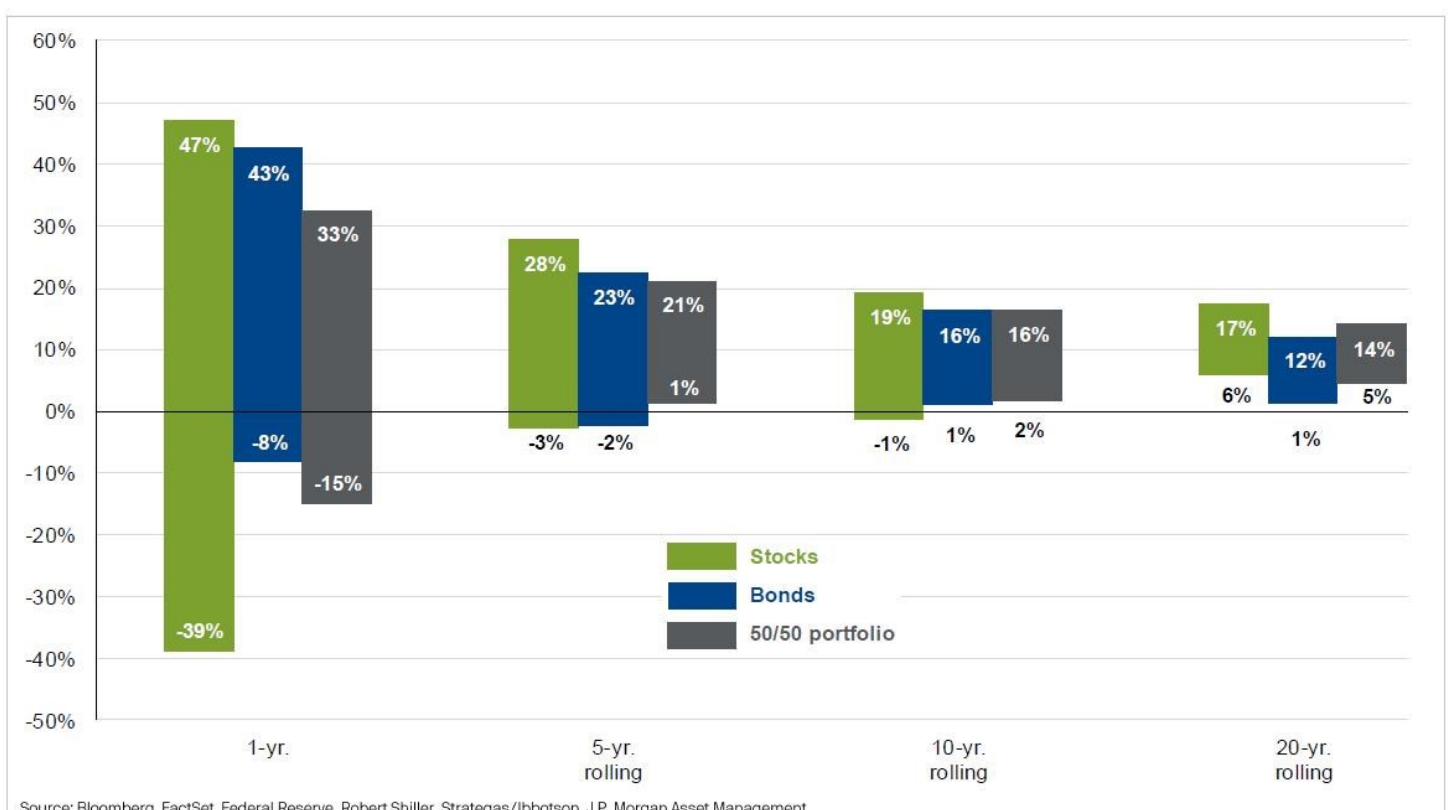
For perspective, if the market value of one's portfolio grew from \$1,000,000 to \$2,000,000 and then pulled back to \$1,950,000, has the investor lost \$50,000 or made \$950,000? We would argue the latter. Sure, the value is down \$50,000 from the top but it is up \$950,000 overall – and that is what matters when it comes to investing.

As shown in the chart below, the stock and bond markets have had their ups and downs, yet the volatility of the returns diminish the longer the time frame. Based on the indexes, a portfolio of 50% stocks and 50% bonds has never experienced a negative return over any 5, 10, or 20-year rolling period since 1950 in spite of wars, recessions, and stock market bubbles.

For over 100 years, stocks have roughly doubled every eight years. \$100,000 invested 50 years ago in the S&P 500 is worth well over \$10,000,000 today. But there have been years when the index was down, including 39% in 2008. Investors who stuck it out through the financial crisis were rewarded with double-digit returns in five of the following six years. There have been 20 separate years in which the market advanced 20% or more since 1950 and only three that produced declines of 20%. Accordingly, the odds favor the patient investor who can ride out the inevitable fluctuations in values and prices.

To paraphrase the legendary investor Warren Buffett, "If you aren't willing to own stocks for 10 years, don't even think about owning them at all."

Range of Stock, Bond, and Blended Returns for 1, 5, 10, and 20-Year Rolling Periods
1950 – 2021



Source: Bloomberg, FactSet, Federal Reserve, Robert Shiller, Strategas/Ibbotson, J.P. Morgan Asset Management.

