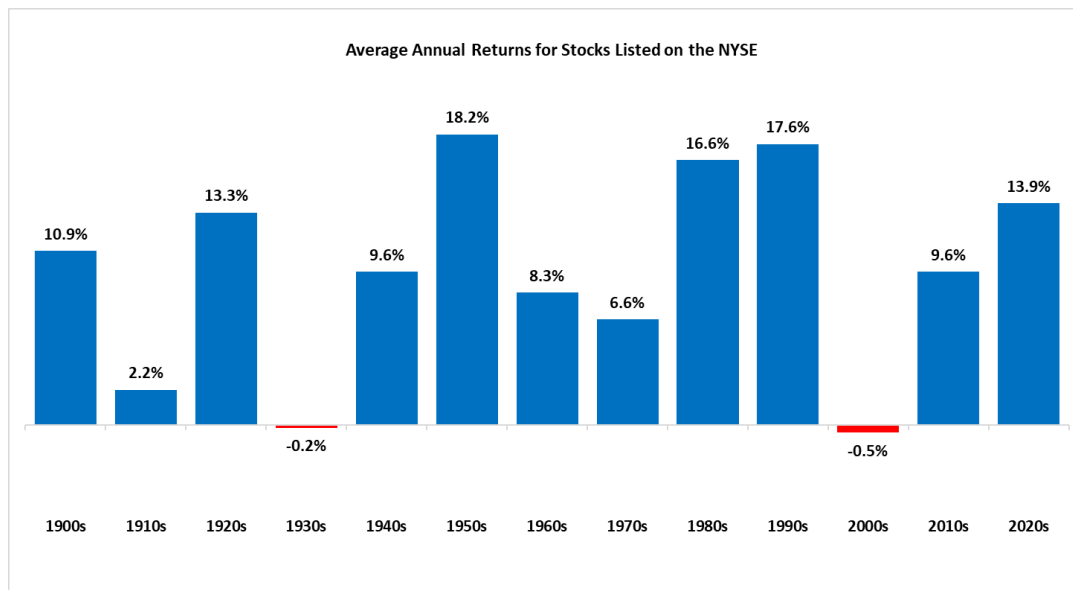


The Roaring Fifties

November 29, 2021

The year 2021 is ending and there is virtually no one who doesn't know the pain and suffering caused by the Covid pandemic that has yet to see a happy ending. Yet, equity investors have experienced two good years of above-average gains. The sudden upsurge in yet another virus variant, Omicron (we are slowly learning the Greek alphabet) has introduced another uncertainty into the stock market's path for 2022. While investors ran for cover on Friday, the outcome of the virus and stock prices has been generally positive. Even with an uncertain outlook, we have to say that the third decade of the 21st century is getting off to a booming start. For example, through Friday the 26th of November, the S&P 500 rose 22.3%. Even more impressive is that the S&P 500 is up 19.8% over the past three years while the NASDAQ is up 29.8% annually over that same time.

When investors see those numbers, they think that they may have missed out on an opportunity. And maybe they have given these sterling returns in an environment of a national emergency and historic market returns of only 10%. So, is it out of the realm of reality to see that continued above-average returns are a possibility?



The above chart plots the return for each decade of stocks listed on the NYSE, a good proxy for an index fund. Of importance is the fact that the market, as measured by this group of stocks, only had two down decades and the declines for those decades were minimal. Of greater interest is the performance during the good times especially in the second decade after the decline. While the “Roaring Twenties” logged in an annual return of 13.3%, it was the “Roaring Fifties” that fit the bill for the Guinness Book of Records with an annual gain of 18.2%. This return was during a time when the maximum marginal income tax rate was a whopping 92%. Maybe only a few people paid that rate and tight fiscal policy stifled innovation -- yet the markets did well. So far in the second decade following a long-term market decline we are well on our way to challenging the “Roaring Fifties”.