

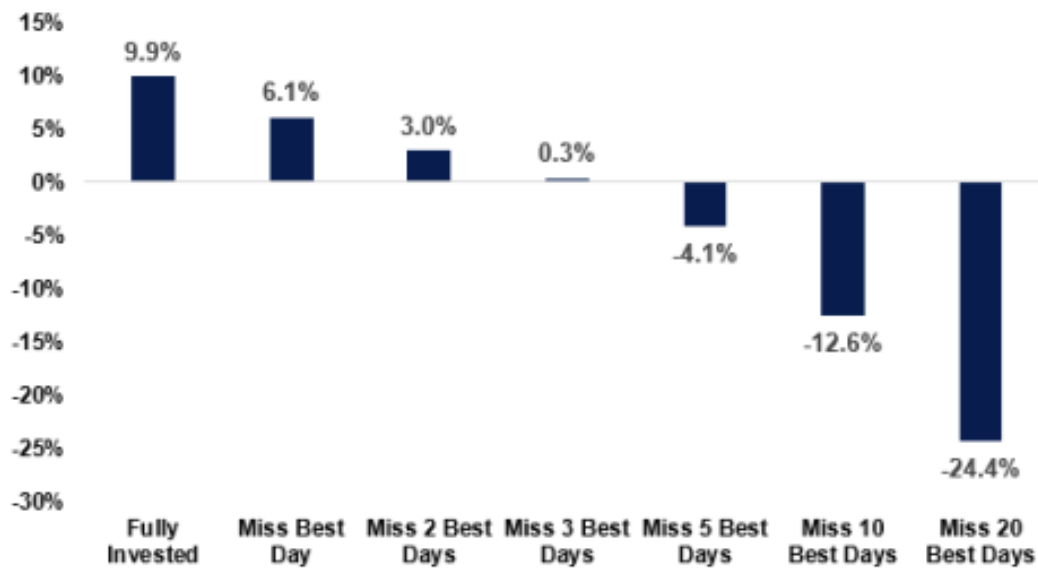
2 Charts Focused on the Long Term

Posted by Jeffrey Buchbinder, CFA, Equity Strategist with LPL Financial.

The chart below shows how punitive it can be to be out of the market on its best days. Though the S&P 500 Index is unmanaged and can't be owned directly, it's clear that owning stocks for the long run has been very rewarding and moving in and out and potentially missing out on gains can be costly. Stocks experienced some significant downdrafts during the 31-year period shown in the chart (2000-2002 and 2008-2009 to be specific) and yet the S&P 500 Index still rose an average of 9.9% per year during that time.

Market Timing Can Be Costly

S&P 500 Index Annualized Performance (1990-2021)

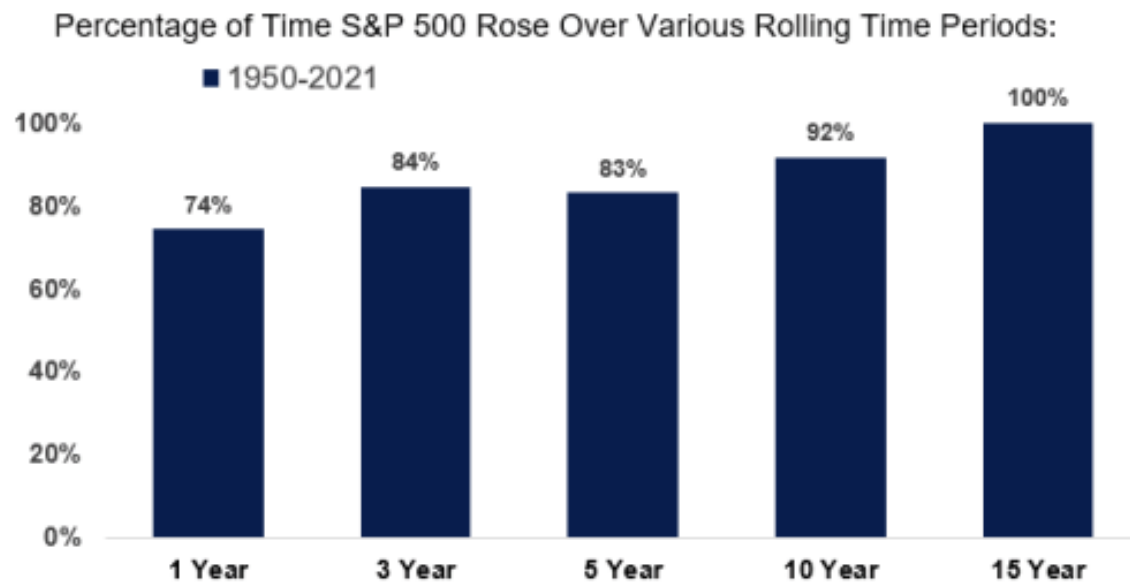


Source: LPL Research, FactSet 4/28/22 (1990-2021 data)

Indexes are unmanaged and cannot be invested in directly. Past performance is no guarantee of future results.

The next chart shows the probability of S&P 500 Index gains over various rolling time periods since 1950. Based on monthly data, the index was higher in more than 80% of all rolling 3-year and 5-year periods. Going out further, 92% of all 10-year rolling periods saw the S&P 500 move higher, while the S&P 500 was higher 100% of the time for all rolling 15-year periods. In other words, those with a greater than a 10-year investing time horizon have an excellent chance to achieve positive returns.

High Probabilities of Stock Market Gains Over Long Term



Source: LPL Research, FactSet 4/28/22

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S&P 500 Index performance before 1957 is based on the predecessor index, the S&P 90.

It's also important for investors to remember that when stocks fall, they usually become cheaper relative to earnings. LPL Research certainly believes this is relevant today given the solid earnings trends still in place (despite several high-profile disappointments among mega-cap tech and internet stocks this quarter).

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