One Perspective On How Stocks Have Performed So Far In This Millennium

5-Year Cumulative Total Returns *(Domestic & Foreign Equity Indices)*

Period	S&P 500	S&P MidCap 400	S&P SmallCap 600	MSCI Daily TR Net World ex-U.S. (USD)	MSCI Daily TR Net Emerging Markets (USD)
2000-2004	-10.98%	57.73%	73.09%	-3.77%	23.65%
2001-2005	2.75%	51.09%	66.72%	27.16%	139.54%
2002-2006	35.03%	67.69%	80.14%	103.36%	225.03%
2003-2007	82.86%	111.81%	110.39%	171.57%	382.95%
2004-2008	-10.47%	-0.40%	4.49%	9.94%	44.65%
2005-2009	2.11%	17.46%	6.97%	22.07%	105.65%
2006-2010	11.99%	32.16%	25.47%	16.18%	82.44%
2007-2011	-1.24%	17.72%	10.10%	-18.86%	12.63%
2008-2012	8.59%	28.51%	28.46%	-15.99%	-4.49%
2009-2013	128.19%	169.04%	163.37%	80.12%	99.33%
2010-2014	105.14%	114.97%	121.81%	28.93%	9.22%
2011-2015	80.75%	66.06%	72.14%	14.75%	-21.83%
2012-2016	98.18%	104.03%	115.67%	34.29%	6.55%

Source: Bloomberg, Past performance is no guarantee of future results.

View from the Observation Deck

1. Today's blog post features the cumulative total return performance of five major equity indices (three domestic and two foreign) since the start of 2000.
2. We chose to highlight 5-year periods due to the fact that equity investors endured two severe bear markets from 2000-2016, with the first one commencing in March 2000 (tech bubble).
3. Emerging markets equities clearly performed the best in the first decade, but have underperformed the U.S. indices markedly in the current decade.
4. Mid- and small-capitalization stocks in the U.S. have performed the best in the current decade, but also performed relatively well in the first decade.
5. Points 3 and 4 indicate that investors were willing to assume some additional risk in the markets despite all of the negative events occurring around the globe, in our opinion.
6. Here are just a few of those events: 9/11 terrorist attacks in U.S. (2001); Invasion of Iraq/2nd Gulf War (2003); U.S./Global financial crisis (2008-2009); Greek debt crisis (2009); U.S. stock market flash crash (2010); Japan's tsunami/9.0 earthquake (2011); and the UK's decision (Brexit vote) to leave the European Union (2016).
7. For all of the discussion in the financial press about how expensive stocks appear to be these days, particularly in the U.S., we believe the level of returns posted from 2000 through 2016 may suggest otherwise.
8. From 12/31/99-12/31/16, the average annual total returns for the five indices in the chart were as follows: 4.51% (S&P 500); 9.53% (S&P MidCap 400); 10.04% (S&P SmallCap 600); 2.45% (MSCI Daily TR Net World ex-U.S. in USD); and 5.84% (MSCI Daily TR Net Emerging Markets in USD), according to Bloomberg.
9. For comparative purposes, from 1926-2016, data from Ibbotson Associates/Morningstar shows that the average annual total returns on the S&P 500 Index and its benchmark for small capitalization stocks were 10.04% and 12.12%, respectively.

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