How The S&P 500 Index & Sector Indices Have Fared YTD And Since 9/20/18

View from the Observation Deck

1. The S&P 500 Index is up 3.00% year-to-date (YTD) on a total return basis despite enduring one correction and one near correction based on daily closing prices. A correction is defined as a price decline of 10.00% to 19.99%.
2. The correction in the S&P 500 Index occurred from 1/26/18 through 2/8/18 and it produced a price-only (does not include dividends) loss of 10.16%, according to Bloomberg. The near correction occurred from 9/20/18 (all-time high) through 10/29/18 and it produced a price-only loss of 9.88%.
3. CFRA, a Wall Street research firm, reported that there have been 22 corrections in the S&P 500 Index since World War II, with an average price decline of 13.8%, according to USA TODAY. It notes that corrections normally last around five months and not every correction leads to a bear market (price decline of 20% or more). Bear markets tend to coincide with recessions.
4. Brian Wesbury, Chief Economist at First Trust Advisors L.P., is forecasting a 3%+ average growth rate for the U.S. economy for 2018 and 2019, which does not portend a recession anytime soon. Wesbury views the recent turmoil in the markets as another buying opportunity.
5. Bloomberg’s 2018 and 2019 consensus estimated earnings growth rates for the S&P 500 Index were 21.90% and 9.61%, respectively, as of 10/31/18, according to Bloomberg.
6. The recent sell-off in the stock market has driven valuations down to more normal levels on a forward-looking basis. Bloomberg’s 2018 year-end price-to-earnings (P/E) ratio estimate for the S&P 500 Index was 16.60 as of 10/31/18. That is in line with its 50-year average P/E of 16.77.

This chart is for illustrative purposes only and not indicative of any actual investment. There can be no assurance that any of the projections cited will occur. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks (currently 505) used to measure large-cap U.S. stock market performance, while the 11 major S&P 500 Sector Indices are capitalization-weighted and comprised of S&P 500 constituents representing a specific sector.

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