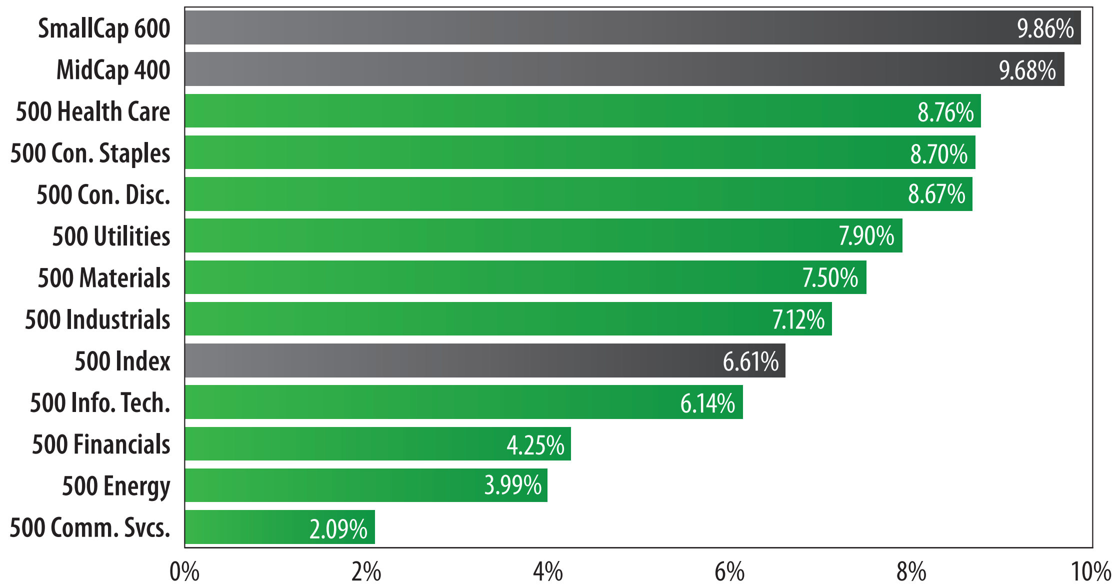
How U.S. Stocks Have Fared Over The Past 21 Years

S&P Stock Index Average Annual Total Returns *(12/31/99-12/31/20)*



Source: Bloomberg. **Past performance is no guarantee of future results.** Real Estate not included in chart. It became a sector in 2016.

View from the Observation Deck

1. The index performance figures depicted in the chart above represent a snapshot of how domestic stocks have fared so far in the new millennium (21 years).
2. As indicated in the chart, both small-cap stocks (S&P SmallCap 600 Index) and mid-cap stocks (S&P MidCap 400 Index) outperformed their large-cap counterparts, including the 10 sectors in the S&P 500 Index that were around for the entire period, as might be expected if you subscribe to the notion that higher risk should generate higher returns over time.
3. Our first takeaway from the chart is that the S&P 500 Index only posted an average annual total return of 6.61%. For comparative purposes, from 1926 through 2020 (95 Years), the average annual total return on the S&P 500 Index was 10.28%, according to Morningstar/Ibbotson Associates.
4. Our second takeaway is that three of the best-performing sectors over the period were Health Care, Consumer Staples and Utilities. These sectors tend to be characterized as defensive in nature.
5. Our third takeaway is that the average annual total return on Information Technology lagged the broader market, as measured by the S&P 500 Index. We should acknowledge that this period was kicked off by the bursting of the internet bubble followed by a recession and extended bear market (3/24/00-10/9/02).
6. Technology stocks have been so dominant over the past decade or so that some investors may have forgotten how challenged they were at the onset of the new millennium.
7. Equities have been tested time and again over the past 21 years. Brian Wesbury, Chief Economist at First Trust Advisors L.P., has been arguing that stocks remain undervalued at current levels based on where interest rates, government bond yields and corporate profits stand. While it may only represent one snapshot in time, the returns in the chart seem to support that claim, in our opinion.

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