

## Client's Corner

# A Matter of Perspective

THE ESSAY YOU'RE READING WAS DRAFTED ON SUNDAY night, April 20.

That's about par for the course: these little missives that your financial advisor sends along to you are usually prepared about ten days prior to the end of a month. They are in no way meant to be a "market letter" of any kind. Rather, they attempt to offer a sort of perspective that may largely be missing from the firehose of economic and financial data (with commentary) to which you are subjected 24/7.

Here's an example. Last Thursday afternoon, at the beginning of a three-day market weekend, the Standard & Poor's 500-Stock Index closed at 5,282.70. That was down 14% from its previous all-time high close at 6,144.15, which was recorded almost exactly two months earlier, on February 19. Got that?

OK. Now, for the 45 calendar years 1980 through 2024, what would you guess the *average* annual peak-to-trough correction in the S&P 500 was? The answer, according to J.P. Morgan Asset Management's very useful monthly "*Guide to the Markets*," is 14.1%.

That's right. After two solid months of the most extreme catastrophist news coverage and commentary concerning tariffs, the market has for the moment experienced its average annual drawdown. This in response to proposed tariff increases the huge preponderance of which have been postponed to July, and which may or may not ever go into effect, given ongoing negotiations.

Whether and to what extent the tariffs end up actually being imposed is irrelevant to the point of this essay, as is the equally unpredictable issue of whether and to what extent the equity market will decline further in response. As investors, you and I are faced today and every day with a future that is perfectly uncertain. And our challenge is to practice rationality under uncertainty.

The current market drawdown may deepen further. About half of the preceding 45 episodes did; hence the term "average." But as you see, despite all this, the S&P 500 *on a price-only basis, ignoring dividends*, closed out



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34 of those 45 years higher than where it began. This too, however anecdotal, may be useful in perspective-setting.

Personally, I've always found history much more useful than headlines in helping me make productive investment decisions. (Or, more to the point, in not making destructive decisions.) And what the 34 positive years out of 45 suggest to me is that the values of 500 of America's leading companies have historically tended to overcome their annual setbacks fairly quickly. Granted that there are no facts about the future: I find this resilience compelling. That's one man's short-term perspective.

But as Churchill is supposed to have said, "The farther backward you can look, the farther forward you can see." Suggesting that if we were to take an even longer than

annual perspective, the more instructive the results might be. Here's one example:

The S&P 500 ended its greatest decline since the 1930s at 676.53 on March 9, 2009. It had gone down 56.8% over 17 months in the Global Financial Crisis. Fueled largely by technological progress hitherto unimaginable, the Index then proceeded to compound at 16% for the next 16 years. As we've already seen, it peaked at 6,144.15 on February 19, and ended last week at 5,282.70.

Know when the Index last saw 5,283? It was August 8, 2024. That's right: as of last Thursday evening, the broad equity market had given back the last eight months of an

epic 16-year advance. This in the face of what we are hourly told is the existential threat of growth-killing tariffs.

Aeschylus said, "In war, truth is the first casualty." My experience suggests that in a market decline, the first casualty is perspective. The longer your real-life investing time horizon is—think in terms of a three decade two-person retirement—the more important perspective becomes, and the harder financial "news" works to shorten it.

This is a particularly good time to stay close to your financial advisor.

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**Sources:** S&P 500 prices: Standard & Poor's, Yahoo Finance. Average annual drawdowns 1980-2024: J.P. Morgan Asset Management's "Guide to the Markets." Sixteen percent compounding March 2009–February 2025: S&P 500 Historical Return Calculator (with Dividends) on the website "Of Dollars and Data."