Providing Perspective on Equity Returns

(1825–2019)

Return range	Years
(50)-(40)%	1931
(40)-(30)%	2008, 1937
(30)-(20)%	2002, 1974, 1930, 1907, 1857, 1839
(20)-(10)%	2001, 1973, 1966, 1957, 1941, 1920, 1917, 1910, 1893, 1884, 1873, 1854, 1841, 1837, 1831, 1828, 1825
(10)-0%	2018, 2000, 1990, 1981, 1977, 1969, 1962, 1953, 1946, 1940, 1939, 1934, 1932, 1929, 1914, 1913, 1903, 1890, 1883, 1882, 1876, 1861, 1860, 1853, 1851, 1845, 1835, 1833, 1827
0-10%	2015, 2011, 2007, 2005, 1994, 1993, 1992, 1987, 1984, 1978, 1970, 1960, 1956, 1948, 1947, 1923, 1916, 1912, 1911, 1906, 1902, 1899, 1896, 1895, 1894, 1891, 1889, 1888, 1887, 1881, 1877, 1875, 1874, 1872, 1871, 1870, 1869, 1868, 1867, 1866, 1865, 1859, 1856, 1844, 1842, 1840, 1836, 1826
10-20%	2016, 2014, 2012, 2010, 2006, 2004, 1988, 1986, 1979, 1972, 1971, 1968, 1965, 1964, 1959, 1952, 1949, 1944, 1926, 1921, 1919, 1918, 1905, 1904, 1898, 1897, 1892, 1886, 1878, 1864, 1858, 1855, 1850, 1849, 1848, 1847, 1838, 1834, 1832, 1829
20-30%	2017, 2009, 2003, 1999, 1998, 1996, 1983, 1982, 1976, 1967, 1963, 1961, 1951, 1943, 1942, 1925, 1924, 1922, 1915, 1909, 1901, 1900, 1880, 1852, 1846
30-40%	2019, 2013, 1997, 1995, 1991, 1989, 1985, 1980, 1975, 1955, 1950, 1945, 1938, 1936, 1927, 1908, 1830
40-50%	1958, 1935, 1928, 1863, 1843
50-60%	1954, 1933, 1885, 1879, 1862

Source: Annual U.S. equity returns for the period of 1825 through 1925 are republished from "A new historical database for the NYSE 1815 to 1925: Performance and predictability" by William N. Goetzmann, Roger G. Ibbotson and Liang Peng as published in the Journal of Financial Markets 4(2001) 1–32, pp. 27–30 using the "Total return with low dividends" return series; annual U.S. equities returns for the period of 1926 to the most recent year end are that of the Ibbotson Associates SBBI US Large Stock Total Return Index (USD) obtained from Morningstar Direct.

Implications for Investors

Investing in common stocks (aka "equities") has historically offered consistently positive returns over long periods of time, helping long-term investors who can weather volatility accumulate wealth. The histogram on the opposite page gives a visual representation of the historical performance of U.S. equities since 1825. Annual equity returns are sorted into ranges based on equity market returns over the course of each calendar year listed. The numbers at the bottom of the chart represent the range of equity returns for the years listed in the column above. The columns with the most observations represent the most common historical return ranges for stocks. The chart is arranged by magnitude from left (lower return years) to right (higher return years), with the dotted line separating positive (right-hand side) and negative (left-hand side) return years.

Notice that the tallest column is the "0 - 10%" range, implying that, since roughly the beginning of functioning public equity markets, annual returns for the U.S. stock market have most frequently been somewhere between 0 - 10%. Thus, 0-10% is probably a good expected range for stock returns in a given year. The second-tallest is the "10 - 20%" range, indicating the frequent historical occurrence of strong positive returns for U.S. equities. The "-10 – 0%" column is the third-most populated, which reminds us that negative returns are also a common occurrence, and can persist for extended periods of time. Several of these years fell near the end of economic expansions, including 1962, 1981, 1990, 2000 and 2018. There are also numerous years with returns over 20%, including several years in the late 1990s, 2009 (the year following the 2008 financial crisis), 2017 and 2019.

This histogram also visually depicts the volatility of equity returns. Historical stock returns have overwhelmingly clustered within the three columns representing annual returns between -10% and +20%. Extreme returns (+30% or higher / -30% or lower) in any given year are rare, but when they do occur, extreme positive returns are more common than extreme negative returns. This is evidenced by more observances on the far-right of the dotted line than on the far-left. Extreme negative returns below -30% have been quite rare but they have happened. Most recently, U.S. stocks were down 38% in 2008. The only other years (1931, 1937) occurred during the Great Depression. During periods of severe financial panics and subsequent economic slumps, stocks can fall significantly as investors seek safety and liquidity. To reiterate, very large losses in stocks in any given year are very infrequent events, but they can happen when financial markets are stressed, and investors panic.

Equally important to investors, severe market downturns can lead to subsequent large moves on the upside. Markets process the views of myriad investors grappling with an uncertain future, and essentially look past periodic rough economic times to what an eventual recovery may look like. One of the best years for stocks (1933) occurred in the midst of the Great Depression (far right-hand column), and three other years (1935, 1936, 1938) that decade saw returns north of 30%. In 1982 and 1983, the U.S. was in the midst of a recession with a double-digit unemployment rate. U.S. stocks returned 21% in 1982 and 23% in 1983. Most recently, stocks had positive returns during 10 out of 11 years following the 2008 financial crisis (2009-2019). Returns above 20% occurred four times during this period with two years (2013, 2019) of returns over 30%.

Future U.S. equity returns may diverge from the pattern of the past 190+ years, but this data shows that long-term investors have been consistently rewarded. With short-term market swings in the news on a daily basis, investors may be tempted to act, but should evaluate their portfolios within the proper time horizon, and always consider their tolerance for risk.

Past performance is not an indicator of future results.

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