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In the Markets Now

What next?

We believe in the old saying: a picture is worth a thousand words. Here, we aim to recap recent market action and provide some perspective to investors.

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ON THE HEELS OF A HISTORICALLY STRONG YEAR

New year…new market? With another very strong year for US stocks now in the rearview, eyes naturally shift to the road ahead (the stock market is always looking forward, so why shouldn't investors be, as well?). Unfortunately, as is often the case, those eyes seem to gravitate towards the things that could go wrong rather than the things that could go right – the pervasive negativity bias of the human mind at work. A potentially volatile presidential election, abundant geopolitical risks, and, more generally, the sense that after such a tremendous rally to close 2023, the party can't keep going; that strong returns last year have stolen some potential from 2024.

As usual, we turn to history to see if that idea bears fruit. And as a precursor to the question, it's worth noting that over the last century the S&P 500 has been positive roughly 75% of years at an 11% annual return. Stock prices and corporate earnings have trended higher over time – albeit not without volatility – at a pretty reliable clip. Which brings us to 2024. How has the market performed across history following incredibly strong years like 2023?

The answer: pretty good! From 1928 to 2022, the S&P 500 returned over 20% in a calendar year on 34 separate occasions, and the median return in the year following those years is 11%. **What's more, over half of the time, the market followed up a 20%+ year with another double-digit return year.** Now, I'm not saying this is for sure going to happen – there's still enough red on the table to warrant caution – but this data should hopefully calm the chorus of those expecting that 2023 strength means 2024 disaster.

In fact, if there's a theme that I'm intent on reiterating over the coming weeks, it is that good performance today doesn't mean a higher likelihood of bad performance in the future; that market rallies and all-time highs are not bearish signposts, but bullish ones. In markets, momentum tends to beget momentum. Whether using technical indicators like the percentage of stocks at recent highs or simpler ones like the S&P's weekly winning streak (nine straight into 2024), many of the things we've seen in markets over the last few months have historically portended stronger near-term returns, not weaker ones (h/t Strategas). **In fact, over the last 50 years, forward returns from all-time highs are actually better than the all-period average!**

So, for the new year, perhaps a good resolution should be this: remain optimistic against the sure-to-be-scary headlines, and don't let 2023's strength alone sour your 2024 outlook**.**

Year	S&P 500 Return	Next Year's Return
1954	53%	33%
1933	50%	-1%
1935	47%	32%
1928	44%	-8%
1958	44%	12%
1995	37%	23%
1975	37%	24%
1945	36%	-8%
1997	33%	28%
1955	33%	7%
2013	32%	14%
1936	32%	-35%
1980	32%	-5%
1989	31%	-3%
1985	31%	18%
2019	31%	18%
1950	31%	24%
1991	30%	7%
1938	29%	-1%
2021	28%	-18%
2003	28%	11%
1998	28%	21%
1961	27%	-9%
2023	26%	-
2009	26%	15%
1943	25%	19%
1976	24%	-7%
1967	24%	11%
1951	24%	18%
1996	23%	33%
1963	23%	16%
1983	22%	6%
2017	22%	-4%
1999	21%	-9%
1982	20%	22%
Median Return		**11%**

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