

# Investment Strategy & Research

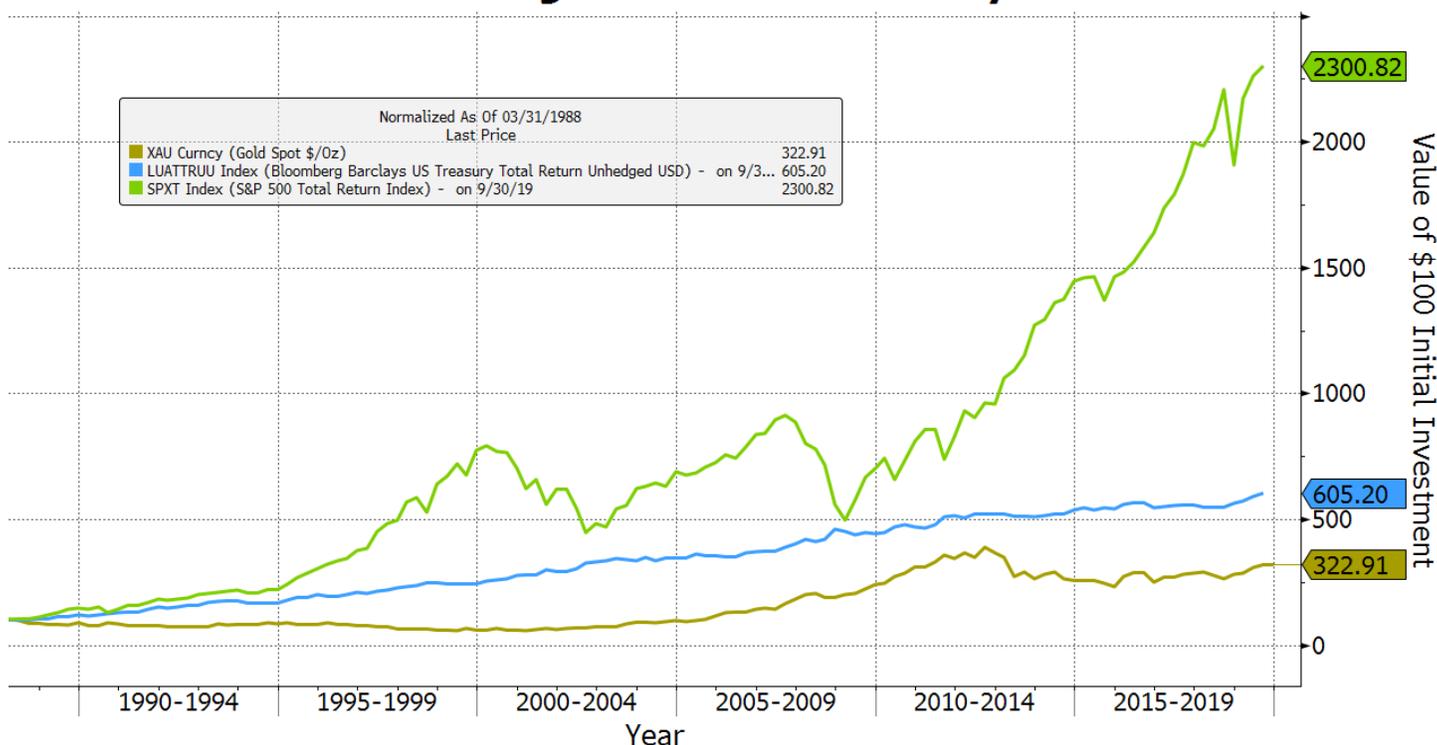
## Chart of the Week: What Glitters May Not Be Gold, Part 3



October 1, 2019

The Investment Strategy & Research team of Hilliard Lyons, A Baird Company, supports you and your Wealth Advisor with investment guidance to help you separate meaningful news from idle noise via timely market commentary.

## What Glitters May Not Be Gold, Part 3



Source: Bloomberg

XAU Curncy (Gold Spot \$/Oz) Gold v Bonds v StocksTR Quarterly 01JAN1988-01OCT

Copyright© 2019 Bloomberg Finance L.P.

01-Oct-2019 10:04:10

In this week's Chart of the Week, we show the *current* value of \$100 invested on 3/31/1988, over 30 years ago, in three different asset classes: **gold**, **stocks** (S&P 500), and **bonds** (the Barclays Agg, mostly Treasuries). We have not cherry picked this period; it is the longest we can go back with total return data for each of these series.

This means \$100k invested in gold in 1988 is worth enough for a modest home near a medium sized city (\$300k).

Alternatively, \$100k invested in the US stock market (S&P 500) in 1988 is now worth: a lake house (\$250k); dinner at Morton's every week for 20 years (pre-paid at \$200 x 52 x 20 = \$208k); a 'well equipped' pair of 2020 Maseratis (Levante SUV, \$94k; Quattroporte sedan, \$121.5k); the initiation fee to a private golf club (\$100k); a quarter-million dollar donation to charity (\$250k); and college tuition for four (let's just call that an even \$1 million). Oh, plus the modest home near a medium sized city (\$300k) from the 'gold' scenario.

Gold can seem safe in a scary world. The last 30 years have certainly not been stable or predictable, yet companies have found a way to succeed, and proceed onward to compound gains. **Remember: gold does nothing; it just sits there** (while armies of geniuses work 18-hour days in Silicon Valley). Gold holds low correlation with most assets, so small allocations can lower portfolio volatility; however, **do not let someone scare you into thinking that stocks cannot be a driver of long-term wealth creation, or that gold is a foolproof alternative.**

PLEASE SEE IMPORTANT DISCLOSURES ON PAGE 2

INVESTMENT STRATEGY & RESEARCH DEPARTMENT

Mark Nickel, SVP,  
Chief Investment Officer  
502-588-1227  
[mnickel@hilliard.com](mailto:mnickel@hilliard.com)

Ross Mayfield, CFA,  
Correspondent Analyst  
502-585-8994  
[jmayfield@hilliard.com](mailto:jmayfield@hilliard.com)

Susan Koch, EdD, PMP,  
Communications Strategist  
502-588-1744  
[sckoch@hilliard.com](mailto:sckoch@hilliard.com)

David Burks, SVP,  
Equity Income Analyst  
502-588-8648  
[dburks@hilliard.com](mailto:dburks@hilliard.com)

Spencer E Joyce, VP, CFA,  
Markets Analyst  
502-588-8402  
[sjoyce@hilliard.com](mailto:sjoyce@hilliard.com)

KEY DEFINITIONS

**S&P 500** – index comprised of ~500 large-cap US equities listed on the NYSE or NASDAQ (price return).

**Russell 2000 Index** – index comprised of ~2000 small-cap US companies (price return).

**MSCI EAFE** – index comprised of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East (price return). This index does not include US or Canadian companies.

**MSCI EM** - index comprised of large and mid-cap securities across 24 emerging markets (price return).

**Bclys US Agg** – (Bloomberg Barclays US Aggregate Total Return Bond Index, Unhedged) total return bond index comprised of taxable, dollar-denominated debt.

**Oil--WTI** – represents West Texas Intermediate Crude Oil, a grade of light crude oil used as the underlying commodity in many indices and futures contracts.

**Oil--Brent** – represents Brent Crude Oil, a grade of light crude from the North Sea used as a global benchmark price.

**IG Spread** – (Investment Grade Spread) represents the yield difference between an index of investment-grade rated bonds and a spot Treasury bond curve – a wider spread implies increased credit risk.

**HY Spread** – (High Yield Spread) represents the yield difference between an index of below investment-grade rated bonds and a spot Treasury bond curve – a wider spread implies increased credit risk.

IMPORTANT DISCLOSURES

Each client's investment needs, risk tolerance, and goals are different. This newsletter is not meant to be advice for any specific investor. Nothing in it should be construed as an offer to sell, or a solicitation of an offer to buy, any securities. This should not be used as the sole basis for an investment decision. Any opinions or estimates are subject to change without notice. For information about how any of this information applies to your personal financial situation, please contact your Wealth Advisor.

**Past performance is not a guarantee of future results.**

Although the information provided to you in this newsletter was obtained or compiled from sources that we believe are reliable, J.J.B. Hilliard, W.L. Lyons, LLC, A Baird Company, cannot, and does not, guarantee that the information or data is accurate, timely, valid, or complete.

**All investing involves risk, including the possible loss of principal. You should carefully consider investment objectives, risks, charges, and expenses of any investment before investing. Diversification and asset allocation do not guarantee a profit or guarantee against a loss. Note: It is not possible to invest directly in an index.**

Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market or economic developments. The bond market is also volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect can be more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks.