

# ENJOYING THE RIDE

## PUTTING MARKET VOLATILITY IN PERSPECTIVE—THE DOW THROUGH THE DECADES



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With the recent stock market volatility, I am reminded of my friend Don Connelly, and a talk he gave long ago, which I'll expound on and share now.

In short, there has always been negative news headlines and threats, providing every reason for investors to pause, but here are some attention-grabbing news events from the last eight decades and how the Dow Jones Industrial Average has fared throughout:

In the 1950's we had the Korean War. It was communism versus democracy that saw almost 37,000 American dead. The Soviets tested a Hydrogen bomb in the summer of 1953, then launched the first artificial satellite to orbit the earth (Sputnik), and for the first time in history Americans didn't feel safe in their beds. In the Fall of 1955, President Dwight D. Eisenhower had a heart attack in office. But despite the uncertainty and panic in this decade, the Dow was up over 24% per year on average. (Source: *Macrotrends; www.macrotrends.net*)

In the 1960s, things got worse! The Berlin Wall went up, further solidifying the West versus the Soviet Union. In 1962, Fidel Castro came to power in Cuba and for the first time we had communism in the Western Hemisphere. This led to the Cuban Missile Crisis, when the Soviets placed missiles just 97 miles off the coast of Florida, and for thirteen days no one blinked. John F. Kennedy, a young and very popular president, was assassinated, and on November 22, 1963, the American spirit died. There was the Six Day War, when Israel faced off against Egypt, Jordan, and Syria, and then the Yom Kippur War, when the United States sided with Israel, which prompted the Arab nations to break ties with the U.S. The Vietnam War began, with over 58,000 American dead and the Civil Rights movement was born. The press painted such a dark picture that an entire generation stopped investing, but the Dow was up almost 18% for the decade. (Source: *Macrotrends; www.macrotrends.net*)

In the 1970s, OPEC put an embargo on the United States as punishment for the Six Day War and the price of oil quadrupled. Inflation skyrocketed, the Gross Domestic Product fell, and the stock market dropped 45%, which was the worst decline since the Great Depression. Richard Nixon resigned from office due to Watergate, and Americans were kidnapped in Iran, spending 444 days in captivity. The end of the decade saw the birth of cable news and CNN, and the negativity in the world and the markets spread. The Dow remained nearly unchanged in the 1970s, going from about 809 to 964 or 1.9% per year on average. (Source: *Macrotrends; www.macrotrends.net*)

In the 1980s we had hyperinflation at 14%; with 17% government bonds and 13% mortgage rates. President Reagan was shot less than one hundred days into office. Terrorism ran rampant, mostly limited to the Middle East, and the Achille Lauro cruise ship was hijacked, with Leon Klinghoffer—a 69-year-old Jewish American in a wheelchair—thrown overboard and murdered. It was the first time we used the term “we don't



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negotiate with terrorists.” Then 5,500 banks in the United State failed and we had the biggest single day decrease in the stock market, as the Dow shed 508 points or 22.6% on Black Monday: Oct. 19, 1987. Still, the Dow managed almost 22% per year growth on average. (Source: *Macrotrends; www.macrotrends.net*)

In the 1990s we had the first Gulf War, civil war in Yugoslavia, the Mexican currency crisis, and the Soviets defaulted on 100% of their bonds. Timothy McVeigh bombed a building in Oklahoma City, killing 168 people, and Bill Clinton was impeached. At the end of the decade there was the technology stock boom and bust and then the Y2K computer scare. The Dow was up almost 31% per year on average. (Source: *Macrotrends; www.macrotrends.net*)

In the 2000s we had 9/11, the second Gulf War, and Hurricane Katrina. Gas prices went above \$4 for the first time. There was the housing boom and bust, followed by the 2008 financial crisis and the stock market plummeted twice in one decade. The Dow was negative since the 1990s, retreating from 11,357 to 10,428. (Source: *Macrotrends; www.macrotrends.net*)

In the 2010s, Obamacare became insurance law, North Korea started challenging us, and China devalued their currency. We saw the rise of ISIS and continued terrorism with the San Bernardino terrorist attack, the Paris theater massacre, and the Orlando Night Club attack. There was Brexit in June of 2016, and then the heated Donald Trump versus Hillary Clinton election. The Dow rose almost 17% per year on average. (Source: *Macrotrends; www.macrotrends.net*)

In the 2020s, so far, we've suffered and are recovering from the COVID pandemic, and continued civil unrest stemming from the murder of George Floyd. The term “woke” has taken hold, with a new era of “political correctness,” with people choosing their gender, identity, and pronouns. Historic statues have been torn down and professional sports teams forced to change their names. In March of 2022, Russia invaded Ukraine, and on Oct. 7, 2023, Hamas launched an unprecedented attack on Israel. The Federal Reserve raised the Federal Funds Rate 11 times since March 17, 2022, from .25% to 5.5%, and as I write this on Nov. 1, 2023, the Dow stands at 33,195 or an approximate 4.2% per year gain so far in the 2020s. (Source: *Macrotrends; www.macrotrends.net*)

So, there it is, a brief summation of some of the most important world events and crises the markets have weathered over more than 70 years. I must admit that I was surprised at how resilient the markets and economy are, and how diversification and asset allocation, combined with active asset management is so important. I am constantly reminded that our jobs as financial advisors are never done, and our client's financial situations are always evolving. It's why consistent client contact and ongoing communication to understand our client's financial goals, time frames, and risk posture, is so integral to financial success.

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