GLOBAL
FINANCIAL DATA

The United States stock market has been moving in 30-year Cycles since the 1890s. Now that the 2010s have finished, we can examine the data to see if this pattern continued during the previous decade. The short answer is, it did! Table 1 provides the real returns to stocks, bonds and bills in the United States in each decade since the 1890s. As you can see, the stock market has provided double-digit returns after inflation every 30 years, in the 1890s, 1920s, 1950s, 1980s and 2010s. Each of those decades was preceded by a decade in which there were inferior returns, the 1880s, 1910s, 1940s, 1970s and 2000s. In fact, both the 1970s and 2000s provided equity investors with negative real returns over the course of the decade.

	Stock Price	Stock Return	Bond Return	Bill Return	ERP	Inflatio
1879-1889	0.99	6.62	6.13	3.38	0.42	0
1889-1899	4.23	10.24	3.68	2.44	5.68	0.13
1899-1909	3.7	9.02	-0.82	0.71	8.88	2.39
1909-1919	-5.03	0.51	-5.23	-4.76	5.44	7.34
1919-1929	9.65	15.56	7.41	5.42	6.81	-0.94
1929-1939	-1.58	3.96	7	2.97	-2.55	-2.04
1939-1949	-2	3.68	-2.91	-5.13	6.1	5.36
1949-1959	12.06	17.98	-1.99	-0.22	18.16	2.22
1959-1969	1.71	5.3	-0.17	1.67	4.91	2.52

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1969-1979	-4.83	-0.61	-1.32	-0.91	0.65	7.36
1979-1989	8.47	12.72	8.15	4.27	3.79	5.1
1989-1999	17.57	18.44	5.47	2.19	11.01	2.93
1999-2009	-7.3	-5.26	4.21	0.23	-8.21	2.52
2009-2019	9.61	12.35	2.67	-1.32	8.45	1.77

Table 1. United States Real Returns to Stocks, Bonds and Bills, ERP and Inflation, 1879 to 2019

This performance is illustrated in Figure 1. The surge in stock prices in the 1890s, 1920s, 1950s, 1980s and 2010s are all visible. The lower returns of the 1910s, 1940s, 1970s and 2000s can also be detected. It should be noted that the 30-year pattern of double-digit returns occurs only in the United States. Although stock markets in other countries showed superior returns in the 1920s, 1950s and 1980s, few stock markets provided double-digit returns in the 2010s. The return to the World x/USA index was only 3.58% in the 2010s. The return to bonds does not follow this pattern. The first two decades of the twentieth century, the 1900s and 1910s, provided negative returns as bond yields rose, but positive returns occurred in the next two decades as bond yields fell. Bonds provided negative real returns in the 1940s, 1950s, 1960s and 1970s, four consecutive decades of negative returns after inflation for fixed-income investors. However, this was followed by four consecutive decades of positive returns in the 1980s, 1990s, 2000s and 2010s, though each decade provided a lower return than the previous

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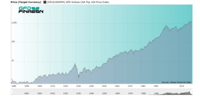

decade. The cycle for returns to bonds is much longer than the cycle for equities.

Figure 1. United States US-100 Price Index, 1880 to 2020

What does this mean for investors in the 2020s? If the cycle continues in the next decade, you can expect two things. First you would expect positive returns to equities though lower returns than in the 2010s. This was true of each of the decades following the 1890s, 1920s, 1950s and 1980s. In fact, returns in the 1990s were even greater than in the 1980s.

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Bond returns have shown a declining pattern over the past four decades and this is likely to continue in the 2020s. The 10-year bond is yielding less than 2% today and the return to bonds is likely to be less than 2% in the coming decade. It seems unlikely that returns would turn negative because interest rates would need to rise during the 2020s to produce a negative return and this would go against the trend of the past four decades. In short, equities and bonds should provide a positive return during the coming decade, but less than during the 2010s. A 2% return to bonds is likely and a 5-7% return to equities would result if you assume the equity-risk premium of 3-5% which has prevailed in the United States over the past two centuries continues. If you want double-digit returns to stocks, you will probably have to wait until the 2040s to get that result!

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