

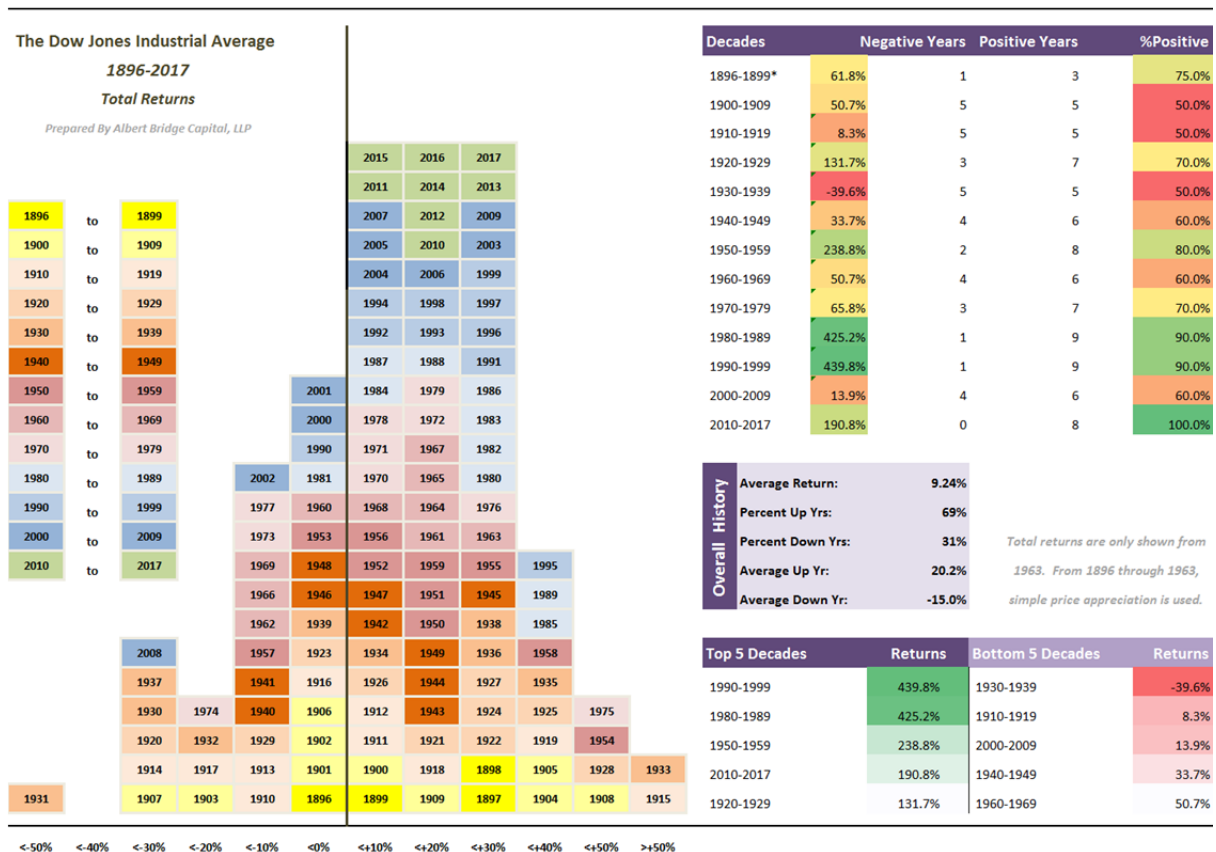
122 Year Dow Jones Histogram: Putting 2017 in Context

2017 was a pretty good year for the stock market. The 19th best since the Dow Jones Average was introduced in 1896.

This decade hasn't been bad either. We haven't had a down year. This has never happened in a full decade before. That being said, we shouldn't fall in to the trap of believing in some sort of mythical mean reversion in 2018 or 2019. We may not have a down year this decade.

Nearly 70% of the time, the stock market has moved higher; and the average "up year" has been better (+20%) than the average "down year" has been bad (-15%). At least that's the way the last 122 years have gone. If this history is a guide (yes, a big if) the likelihood that we finish out the decade with ten consecutive up years is about 50/50.

For what it is worth, the decade-to-date returns only rank fourth out of 12+ decades of the Dow. We'll see what the next two years bring as we finish this one out, but – at least looking backward – it hasn't been a terrible idea to be long the US stock market over the past four decades. It might not be terrible for the next four either.



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