

THE DECADE IN REVIEW

A look at stocks, commodities and memories (good and bad).

Provided by Timothy C. Hucks, CEP, President, Rising Tide, Inc.

A turbulent ten years. The 2000s gave us remarkable opportunity and remarkable volatility. They tested our patience, and many investment strategies. They taught us to hold on, hang in there and diversify.

Stocks. Was it really a “lost decade”? It depends on how you were invested. Yes, the Dow ended the 1990s at 11,497.12 and ended the 2000s at 10,428.05, amounting to a 9.30% slip. The S&P 500 lost 24.10% in the same interval. If you had invested a lump sum into an index fund tracking the S&P 500 on December 31, 1999 and left those assets untouched for ten years, you would have ended up with a sizable loss.^{1,2}

Well, that sounds dismal - but how many of us actually invest this way? Very few of us make one lump sum investment and just watch it for ten years. Thanks to diversification, rebalancing and constant inflows of new money, quite a few investors were able to grow their assets and/or outperform the S&P 500 in the past decade.

The fact is, five sectors of the S&P 500 gained 10% or more across the 2000s - health care (+10.85%), utilities (+10.92%), materials (+24.91%), consumer staples (+31.84%) and energy (+102.12%).²

Few articles about the “lost decade” mention this notable factoid: the Russell 2000 advanced 23.90% during the 2000s.² Mutual funds that focused on buying undervalued small-company stocks gained an average of 8.3% annually in the 2000s.³

Outside America, developing stock markets shattered all expectations while the developed markets mirrored American performance. Look at the decade-long gains in key indices in some of the BRIC nations, as measured by CNBC.com: China, +72%; India, +249%; Brazil, +301%; Russia, +863%. Compare all that with the benchmark indices in Japan (-44%), France (-34%), Great Britain (-22%) and Germany (-14%) in the past decade.⁴ Emerging market mutual funds gained an average of 9.3% per year in the last ten years.³

Commodities. It was a decade of amazing gains in the broad commodities market. From the end of 1999 to the end of 2009, gold advanced 278.52%. How about silver and copper? Silver gained 208.91% and king copper rose 287.78%. Crude oil rose 210.00% during the 2000s.²

How great a decade was it for the commodities sector? Only one notable commodity posted a ten-year loss from 12/31/1999 to 12/31/2009. That was palladium, which retreated 8.98%. On the other hand, we know that 16 commodities gained 100% or more across the decade.²

The two biggest gainers during the 2000s were a pair of crops: sugar (+340.36%) and cocoa (+293.31%).²

Highs and lows. We are 10 years past the bursting of the tech bubble - March 10 will mark the 10th anniversary of the NASDAQ's all-time high of 5,132.50.⁵ And of course, a decade-defining geopolitical event rocked the markets 18 months later.

General Motors and Chrysler filed for bankruptcy protection in 2009; at the start of the decade, so did Enron - the company that *Fortune* Magazine ranked as "most innovative" each year from 1995-2000.⁶ In 2008, Lehman Brothers, Morgan Stanley, Goldman Sachs, Merrill Lynch, and Washington Mutual either folded, mutated, or were bought up while AIG, Freddie Mac and Fannie Mae were bailed out.

The Dow hit a new high of 11,723 in January 2000, a post-9/11 closing low of 7,286 in October 2002, and then ended 2003 at 10,453 (as the DJIA gained 25.32% that year while the dollar lost 14.67%). The Dow hit new peaks of 11,727 on October 3, 2006 and 14,164 on October 9, 2007. A close of 11,215 on July 2, 2008 officially marked the start of a bear market.⁷

From March 9, 2009 closing lows to the end of the year, the Dow shot up 59.28% and the S&P 500 advanced 64.83%.² This led to some to entertain tantalizing thoughts about the birth of a new bull market. Or it is simply a cyclical bull in a secular bear? The jury is still out, as the saying goes; we can hope for the best.

What did we learn? The 2000s taught us lessons about irrational exuberance (companies that had never made a dime were probably not worth billions) and lessons about the value of diversifying your portfolio. We also learned lessons in perseverance - those who stayed invested have seen their portfolios make a strong recovery.

The 2000s put investors through some seemingly unimaginable financial headlines. It was a rare decade, an aberrant one in stock market history - for example, the Dow hadn't had a negative decade since the 1930s, and it had advanced 228.25% over the 1980s and 317.59% for the 1990s.⁸ Will we see it make a double- or triple-digit advance in the next ten years? We don't know. Past performance is no indicator of future success. Yet the awesome potential of the stock market and commodities markets should not be dismissed - and with economies healing the world over, it is clearly time to look forward and stay invested.

Timothy C. Hucks, CEP, is a Certified Estate Planner, Registered Investment Advisor and President of Rising Tide, Inc. He may be reached at www.risingtideinc.com, 919-968-8675, or tim@risingtideinc.com. Securities offered through [Capital Investment Group, Inc.](http://www.capitalinvestmentgroup.com) Corporate Office: 17 Glenwood Avenue, Raleigh, NC 27603 • 919.831.2370. Member [FINRA](http://www.finra.org)/[SIPC](http://www.sipc.com).

These are the views of Peter Montoya Inc., not the named Representative nor Broker/Dealer, and should not be construed as investment advice. Neither the named Representative nor Broker/Dealer gives tax or legal advice. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. The publisher is not engaged in rendering legal, accounting or other professional services. If other expert assistance is needed, the reader is advised to engage the services of a competent professional. Please consult your Financial Advisor for further information.

Citations.

- ¹ money.cnn.com/quote/historical/historical.html?pg=hi&close_date=12%2F31%2F99&mode=add&symb=DJIA [1/16/09]
- ² cnbc.com/id/34645043 [12/31/09]
- ³ articles.latimes.com/2009/dec/31/business/la-fi-stocks31-2009dec31?pg=3 [12/31/09]
- ⁴ cnbc.com/id/34643111 [12/31/09]
- ⁵ smartmoney.com/investing/economy/the-financial-decade-in-review/?page=2 [12/31/09]
- ⁶ smartmoney.com/investing/economy/the-financial-decade-in-review/?page=4 [12/31/09]
- ⁷ the-privateer.com/chart/dow-long.html [12/31/09]
- ⁸ cnbc.com/id/34619797 [12/29/09]