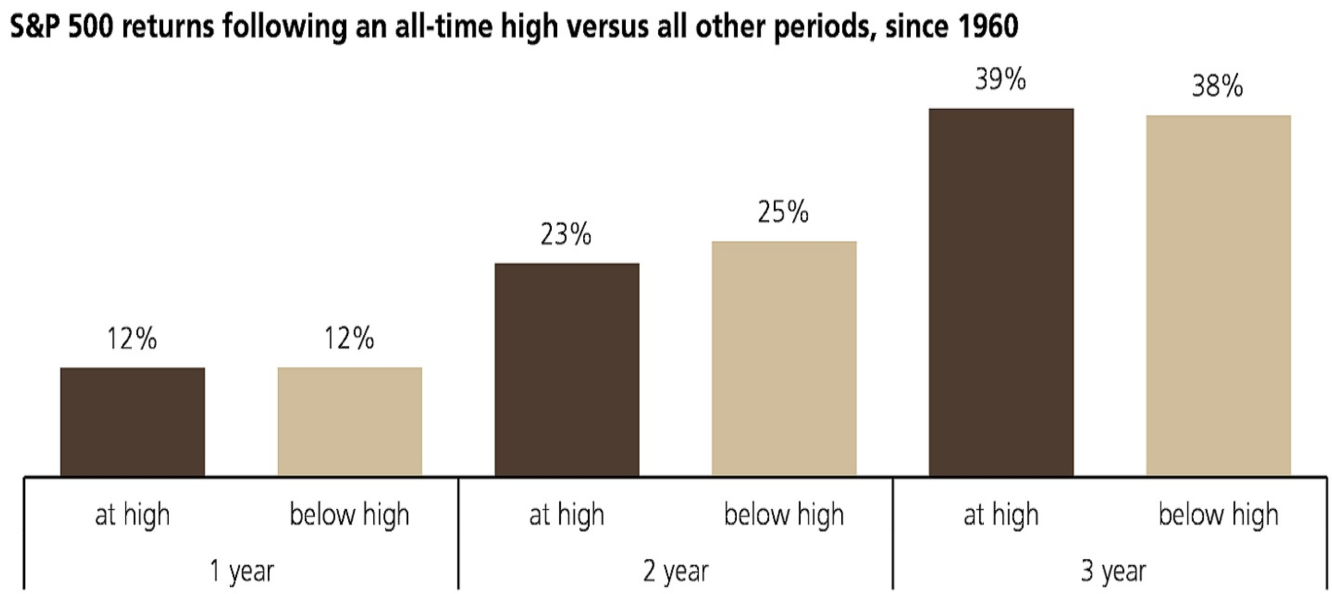

Source: Bloomberg, UBS

Chart: S&P all-time highs shouldn't be a cause for anxiety

22 January 2024, 10:42 pm EST, written by US Editorial Team

After a two-year journey, the S&P 500 officially hit an all-time high on 19 January, closing at 4,839. At the time of writing (22 January) – another top record seems likely to be achieved.

Despite a bit of a rocky start to 2024, with investors pricing-in and pricing-out the pace of Fed rate cuts this year, the market keeps trending upwards as the soft landing has become the base case.

While all-time highs are often met with flashing headlines to hit the sell button, our analyses shows that panic is not typically warranted.

As the chart above shows, over the past 60 years, in the one-, two-, and three-year periods following a new all-time high, S&P 500 returns have averaged 12%, 23%, and 39%, respectively. This is hardly different from the 12%, 25%, and 38% average returns for all other periods over the same time frames.

What does this exactly mean?

Well, it implies that the risk aversion that an average investor should have following an all-time high day, should be pretty much the same as the one he/she has any other day. Thus, reaching a maximum level is not indicative of an expensive market, nor of a looming selloff lurking in the darkness.

Remember, when assessing future market performance, what matters most is the fundamental picture; the real key is understanding the macro-financial backdrop.

We discuss this topic in further detail in our **House View Weekly - Regional US: S&P hits all time high – but should investors be afraid of heights?,** published 21 January, 2024.