

# It's Been a Tougher Year Than the Headline Numbers Suggest



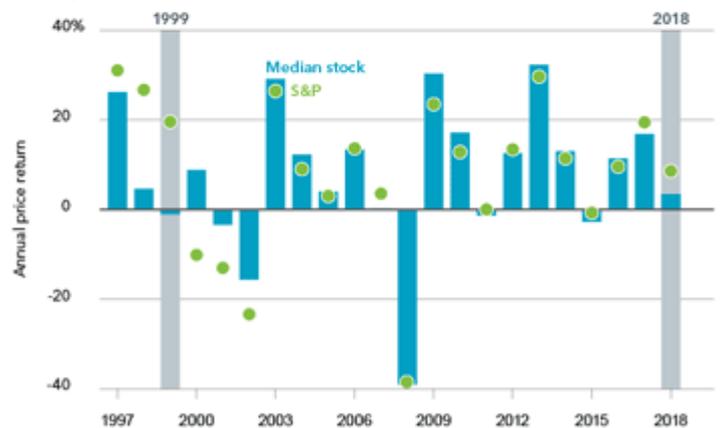
Charles Rotblut, CFA  
AAI Journal Editor

Yesterday's 3.29% decline in the S&P 500 index was the biggest such move since February. Yet it only put the S&P 500 a mere 4.9% below its record closing high. If it felt like the drop was worse, there are two big reasons why.

**THE MEDIAN  
S&P 500 STOCK IS  
UNDERPERFORMING  
THE INDEX**

Chart of the week

Annual price return of S&P 500 Index and median stock, 1997-2018



Past performance is not a reliable indicator of current or future results. It is not possible to invest directly in an index.

Sources: BlackRock Investment Institute, with data from Thomson Reuters, October 2018.

Notes: The green dots show the annual price return of the S&P 500 Index of large-cap U.S. stocks, and the blue bars represent the price return of the median-performing stock in the index. Data for 2018 is year-to-date as of Oct. 4.

Source: BlackRock Investment Institute.

The first is the relative headline calm we've become accustomed to. Prior to yesterday, the S&P 500 had gone 74 trading days without closing up or down by 1% or more. The large-cap index had also gone 129 days without experiencing a move of 2% or more. Based on these measures, 2018 remains on pace to be less volatile than either 2015 or 2016.

The second reason is that this has been a much tougher year for individual stocks than the headline index numbers suggest. Through Tuesday, the S&P 500 was up 7.73% year to date. Meanwhile, the S&P Equal Weight index has returned just 4.00% over the same period. (Yesterday's drop knocked down the respective year-to-date returns to 4.19% and 0.99%.)

BlackRock's chart of the week plotted the performance of the median stock in the S&P 500 (blue bars) against the returns of the index itself (green dot). Though the chart itself is small, the difference in returns is apparent (you can click on the chart to enlarge it). Through October 4, the

median stock was underperforming the very index it is a part of by the widest margin in several years.

[Continue Reading »](#)

---

## More on AAll.com

- [A Question of Proportions: How Various Indexes Are Weighted](#)- Because the S&P 500 is market-capitalization weighted, its returns are disproportionately influenced by its largest holdings.
  - [Charles Dow's Theory Still Valid for the 21st Century](#) - The relative returns of transportation stocks play a key role in this technical analysis strategy.
- 

## Highlights from this month's *AAll Journal*

- [Getting the Same Return With Less Risk: The Power of Factors](#)- When factors are used to diversify a portfolio, volatility can be reduced without lowering long-term performance according to Larry Swedroe.
  - [Using Beneficiary-Directed Trusts to Protect Your Heirs](#) - These trusts can protect a beneficiary from losing inherited trust assets to creditors, claimants and divorcing spouses.
- 

## AAll Sentiment Survey

Pessimism rose to a three-month high, while optimism plunged. Plus, this week's special question asked AAll members what changes, if any, they've made to their strategies lately. [More about this week's results.](#)

### **This week's results:**

- Bullish: 30.6%, down 15.1 points
- Neutral: 33.9%, up 4.7 points

- Bearish: 35.5%, up 10.3 points

### Historical averages:

- Bullish: 38.5%
- Neutral: 31.0%
- Bearish: 30.5%

Take the [Sentiment Survey](#).

---

## What's Trending on AAll

1. [Learning From the Mistakes Made by Legendary Investors](#)
  2. [Getting the Same Return With Less Risk: The Power of Factors](#)
  3. [Simplified Expectations for Normal Investors](#)
- 

## The Week Ahead

Monday, October 15, will be the last day you can recharacterize a Roth IRA conversion made in 2017. The Tax Cuts and Jobs Act ended the ability to undo a Roth conversion made after the start of this year.

Mega-cap companies will dominate the earnings calendar, with 46 S&P 500 companies scheduled to report. Included in this group are Dow Jones industrial average components: Goldman Sachs Group Inc. (**GS**), UnitedHealth Group (**UNH**) and IBM Corp. (**IBM**) on Tuesday; and the Travelers Companies Inc. (**TRV**) and American Express Co. (**AXP**) on Thursday.

The week's first economic reports on Monday will be September retail sales, the October Empire State manufacturing survey and August business inventories. Tuesday will feature September industrial production, the October housing market index and the August JOLTS report. The minutes from the most recent Federal Open Market Committee (FOMC) meeting along with September housing starts and building permits will be released on Wednesday. Thursday will feature the October Philadelphia Federal Reserve's manufacturing business outlook survey. September existing home sales will be released Friday.

Two Federal Reserve officials will be making appearances this week, St. Louis president James Bullard on Wednesday and Atlanta president Raphael Bostic on Friday and Saturday.

The Treasury Department will auction \$5 billion of 30-year inflation-protected securities (TIPS) on Thursday.

---

## Local Chapter Meetings

AAIL Local Chapter Meetings offer you a variety of presentations from expert speakers who will give you their view on the world of investing. A bonus of attending a Chapter Meeting near you is the opportunity to meet other AAIL members who share your interest and enthusiasm for investing. You can even share the Chapter experience with your family and friends by inviting them to attend Chapter Meetings with you!

[Upcoming Meetings »](#)