

ABOVE THE FRAY

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## Expect the Unexpected with Stocks

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Oct 04, 2024

Ask investors what kind of return they expect out of stocks in any given year, and many will respond with the market's historical average return. For the S&P 500 Index from January 1926 through December 2023, that's been a little over 12%. Unless you have a crystal ball, that's a reasonable guess in any given year.

And yet, history shows us what we end up getting from stocks is likely to be far from the average. Since 1926, only 15 out of 98 years had returns within five percentage points of the 12.2% average. In the other 83 years, the average deviation was over 18 percentage points. Talk about an uncommon average!

Actual returns can deviate from expected returns because information and circumstances change. If the news is better than expected, markets may go up. Of course, the reverse is true if the news is disappointing. In a world with so many potential sources of news—the economy, elections, geopolitical conflict—it shouldn't be surprising that we often receive returns either much higher or lower than the long-run average.

**Exhibit 1**  
**Calendar-Year Returns**  
**for the S&P 500 Index**  
 1926–2023



## Past performance is not a guarantee of future results.

*Shaded area is the range spanning the long-term average, plus or minus 5%.*

*In USD. S&P data © S&P Dow Jones Indices LLC, a division of S&P Global. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio.*

*This article originally appeared in Above the Fray, a weekly newsletter for Dimensional clients.*

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12/19/2024

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