

Observer

Stats & Facts

2009 Markets in Review: The Comeback Year

After the uncertainty of year-end 2008, and the further drop of markets through March 2009, the rebound in most asset classes through the succeeding months of the year brought signs of hope that the dust was settling and the time to re-enter the undervalued market was here.

The Dow Jones Industrial Average rose 22.7 percent in 2009 (including price changes and dividends), and 59.3 percent since its March 9 low—the fastest growth since 1933. As 2010 arrived, the Dow was still 26.4 percent off its record high in October 2007, and down 9.3 percent from a decade ago. According to the *Wall Street Journal*, sectors that took the biggest hit during the crisis rallied the strongest, such as autos (Ford Motor Company) and basic materials.

The S&P 500 gained 26.5 percent (including price changes and dividends), coming off a 37 percent loss in 2008.

The Nasdaq Composite Index was up 43.9 percent for the year, and up 78.9 percent from its March low. A stark reversal from its 40.5 percent drop in 2008.

The Russell 2000 Index gained 27.2 percent (including price changes and dividends), compared to its 33.8 percent loss in 2008.

The Lipper Growth Fund Index reported a 35.9 percent gain in 2009, their Balanced Fund Index was up 23.4 percent, and their International Fund Index rose 35.3 percent.

Target date funds gained 27.1 percent. (Ibbotson Associates)

Hedge funds through November, the most recent data available, averaged 19 percent returns in 2009 (Hedge Fund Research). Funds of funds were up 12.7 percent. (Morningstar)

The existing home median price for the nation as of November was \$172,600 (National Association of Realtors). The S&P Case-Schiller Home Price Index reported a 29 percent drop in home prices from their peak in July 2006 (through October). But in November, the Pending Home Sales Index was 96.0, 15.5 percent higher than in November 2008.

REITs gained 27.5 percent for the year, after a 37.3 percent drop in 2008. (NAREIT)

The Morgan Stanley Capital International EAFE Index gained 31.8 percent (Vanguard), the Dow Jones World Index, excluding the U.S., was up 37 percent, and the MSCI AC Asia Ex-Japan Index rose 68.3 percent.

According to Darwin's Finance, the hottest global ETF was the IDX Market Vectors Indonesia Index ETF, which gained 163 percent.

The biggest international winners by country index, as reported in the *Wall Street Journal*, were Russia's RTS Index gain of 129 percent, India's Sensex gain of 81 percent, and China's Shanghai Composite gain of 80 percent—still considerably off their record highs in 2008 or 2007. Brazil's Bovespa was up 83 percent in 2009, only 7 percent off its 2008 record. Japan's Nikkei Stock Average ended up a relatively meager 19 percent, comparable with the Dow's 19 percent gain in prices.

The U.S. dollar was down against most major currencies, 5.2 percent overall. Although the dollar ended the year down 2.4 percent against the Euro, 9.7 percent against the British pound, and 13.6 percent against the Canadian dollar, it ended up 2.6 percent against the Japanese yen. (I.P. Morgan)

The Barclays U.S. Treasury Inflation Protected Index gained 11.4 percent, with their U.S. Long-Term Treasury Index losing 12.9 percent. The Barclays Municipal Bond Index gained 12.9 percent for the year.

One-year certificates of deposit returned 1.2 percent. (Bankrate.com National Index)

The Barclays U.S. Credit Index AA-rated returned 7.6 percent in 2009. And according to the *Wall Street Journal's* analysis of the Merrill Lynch index, high-yield and low-rated corporate junk bonds returned 57.5 percent. Investment-grade bonds saw 20 percent returns.

The Dow Jones-UBS Commodity Index gained about 19 percent, with base metals leading the charge. Copper saw the largest gains, at 139 percent.

The S&P Goldman Sachs Commodity Index, Gold rose 22.9 percent.

Oil finished up 78 percent for the year at \$79.36 a barrel, well below its record high in mid-2008 of \$145.

The Consumer Price Index for All Urban Consumers (CPI-U) increased 2.7 percent (before seasonal adjustments), compared to a 0.1 percent rise in 2008, and largely attributed to the energy index. (Bureau of Labor Statistics)

Source: Most figures found on the *Wall Street Journal* online: <http://online.wsj.com/public/page/quarterly-markets-review.html>.

POINT

“We’re probably still only in the early stages of a potentially big economic recovery, but I think it’s probably not until well into [2010] that investors begin to broadly recognize it.”

Thomas Lee, U.S. equity strategist at J.P. Morgan Chase, believing slack in the job market will help temper near-term inflation threats, *Wall Street Journal*

COUNTER POINT

“Given the fact that stocks have essentially gone straight up from March 9 [2009], it could be enough to cause a decent-sized correction as folks recalibrate their expectations for Fed actions.”

Scott Migliori, chief investment officer for RCM Capital Management, on his expectations for the latter part of 2010, *Wall Street Journal*

STAT BANK



92...Percentage of financial services small-business owners who are optimistic their companies will emerge from the recession intact and well positioned for growth over the next two years. (*The Guardian Life Index*)

2.9...Percentage increase in spending on global information technology expected by financial services firms in 2010, compared to a 2.5 percent decline in 2009. (*eIent*)

30...Percentage of business owners who say complying with government regulations is the facet of running a business that causes them the most stress. (*SmartBrief on Entrepreneurs*)

1...Number of months it takes more than half of clients to decide on a financial adviser; 25 percent take one to three months, 15 percent take three months to one year, and 5 percent take more than a year. (*Tiburon Strategic Advisors*)

49...Percentage of Americans who have put away enough money to cover expenses for three months should they become sick, lose their jobs, or experience some other emergency. (*FINRA Investor Education Foundation*)

5.1...Median number of years of job tenure for American workers in their current job in 2008. (*Employee Benefit Research Institute*)

37...Percentage of 401(k) plans that offered immediate vesting in 2008. (*Profit Sharing/401k Council of America*)

\$69...Approximate price of a share of Class B Berkshire Hathaway stock after a 50-for-1 split approved in January, when the stock was selling for about \$3,500 per share. (*Associated Press*)

48...Percentage of active U.S. funds that exceeded their Russell index benchmarks in 2009, up from 43 percent in 2008. (*Wall Street Journal*)

59...Percentage of U.S. married households with children in 2009 in which both parents worked, down from 67 percent in 2007—mostly due to husbands being out of work. (*Census Bureau, New York Times*)

\$183.25...National average median daily rate for a semi-private room in a nursing home in 2009; a 4.5 percent increase from 2008. (*Genworth 2009 Cost of Care Survey*)