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THE INVESTMENT EXPERTS

Has 2022 Been Catastrophic For Investors?

Honestly, the first half of 2022 was stubbornly brutal for financial markets as indices experienced historic lows, notably the S&P 500 lost 20.6% of value, the steepest decline since 1970. The MSCI Emerging Markets Index fell 17.5%, the third worst first

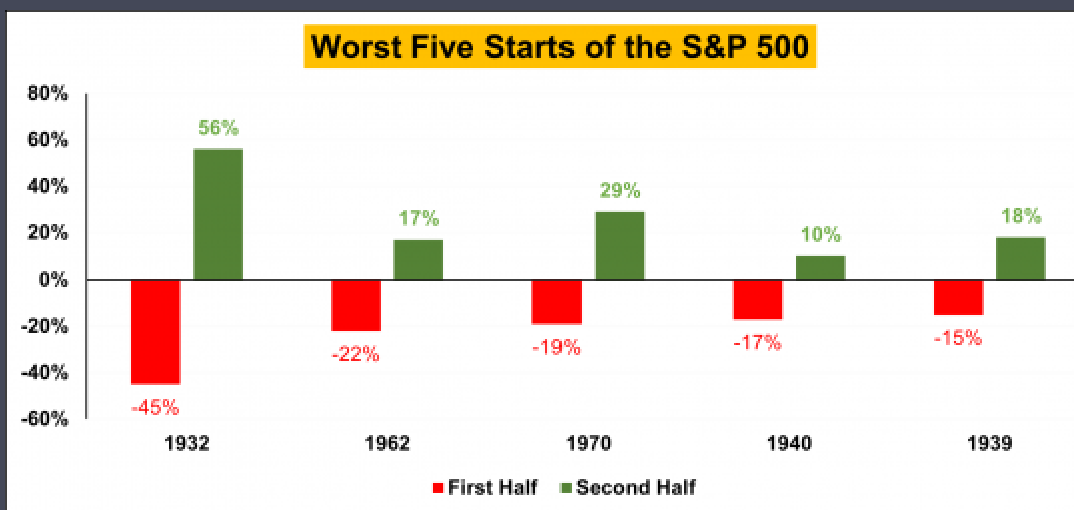
half since the index’s inception, after 1998 and 2008. The MSCI All Country World Growth Index lost 27% over the same time period. The smaller company Russell 2000 Index fell by 24%, while the Nasdaq, which is heavily weighted toward technology and growth, fell by 30% year to date.

The 10-year US Treasuries, on the other hand, experienced their worst start to the year since 1788, while the FTSE/JSE Capped SWIX had a minor loss of 4.6 %. The All-Bond Index (ALBI), which measures all South African bonds, was down 2%.

Given this historic data, this leaves little room to navigate to eke out a positive return. Even so, the traditional 60/40 portfolios were in disarray as a result of long-term bonds tanking to historical lows.

However, it’s not all doom and gloom for retirement savers as history points out that the S&P 500, cited as a benchmark, has managed to average 10% per year since the 1920s. This is regardless of bad first half performance. For any investor, this is unquestionably a relief.

Below is an illustration of the historical performance of the S&P 500 Index’s worst five start performance relative to the second half performance in descending order.



Source: ZeroHedge

In spite of the sample size being relatively small to draw a formidable conclusion, its possibly certain that markets will continue to fall given the recession fears emanating from the inflation spikes and interest rate hikes among other macroeconomic factors. This data above reinforces the case to stay on course during bad periods like now, as any deviation might result in missing the upswing when it arrives.

Furthermore, a well-organised or disciplined investment strategy is laudable as it will allow the investment to enjoy a full economic cycle recovery, reduced transactional costs incurred when the investment is moved from one asset class to another, which negatively affects overall performance and lastly permit the portfolio to benefit from compounding.

While it can take some time, markets are likely to hit the recovery lane and continue with new highs from such troughs we are experiencing now. This will be a boost to

overall portfolio performance. Historically worst periods have induced best periods therefore having a long-term objective is essential, as this will allow the investment to have ample time to recover from the losses incurred.

Lastly, the objective of any investment plan for retirement is to provide income when needed, capital growth and preservation. Therefore, a well-crafted investment plan in times like these should cushion an investor from stock market, inflation, liquidity and longevity risks.

The yield dashboard is not looking pretty. This is clearly a tough environment for investors, and no one likes to see large declines especially retirees who have less time to recover from setbacks like these. Our recommendation at these times is to remain disciplined on a workable investment plan that can be tactically modified to maintain relevance.

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