

# How U.S. & Other Developed Market Equities Have Fared Since Japan Peaked in 1989

## U.S. Stocks vs. Foreign Stocks (Cumulative Total Returns & Price Change On The U.S. Dollar)

Index	12/29/89-12/31/99	12/31/99-12/31/09	12/31/09-12/30/16	12/29/89-12/30/16
S&P 500	432.78%	-9.10%	132.85%	1,027.72%
MSCI Daily Total Return Net EAFE (USD)	96.97%	12.38%	29.91%	187.55%
U.S. Dollar (DXY)	9.35%	-23.57%	31.27%	9.71%

Source: Bloomberg. Past performance is no guarantee of future results.

### View from the Observation Deck

1. China's growth story has garnered a lot of attention from investors and the financial media over the past 10 to 15 years. Some pundits believe that China could one day supplant the U.S. as the world's largest economy. We'll see.
2. The same type of tale was spun about Japan in the late 1980s. It did not come to fruition. In fact, China surpassed Japan to become the second-largest economy in the world in 2010, according to *The Wall Street Journal*. The U.S. is still the largest.
3. Japan's Nikkei 225 Index set its all-time high on 12/29/89 at 38,915.87, according to Bloomberg. It closed at 18,891.03 on 1/23/17. Japanese equities accounted for 24.13% of the MSCI EAFE Index on 12/30/16, according to MSCI.
4. The MSCI EAFE Index has been a traditional benchmark for measuring the performance of foreign developed market (DM) equities for decades.
5. Since the 1980s, it is likely that some U.S. investors have chosen to allocate a portion of their capital earmarked for equities to DM foreign stocks, and did so because they tended to carry a relatively low correlation to U.S. equities, in our opinion.
6. From 1990-1999, the correlation of monthly returns between the MSCI EAFE Index and the S&P 500 Index averaged 0.54, according to the AAI Journal from December 2010. That average jumped to 0.82 the next decade (2000-2009). From 2010-2016, it rose to an average of 0.87, according to data from Bloomberg.
7. While the correlation between the two indices has narrowed dramatically since the start of the new millennium, the performance results have not.
8. From 12/29/89-12/30/16, the S&P 500 Index posted a cumulative total return of 1,027.72%, compared to 187.55% for the MSCI Daily Total Return Net EAFE Index (USD). The U.S. Dollar Index only appreciated by a net 9.71% over that period.

*This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance. The MSCI Daily Total Return Net EAFE (USD) Index is an equity index which captures large and mid-cap representation across Developed Markets countries around the world, excluding the US and Canada. With 930 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. The index accounts for foreign tax withholdings. The U.S. Dollar Index (DXY) indicates the general international value of the dollar relative to a basket of major world currencies.*