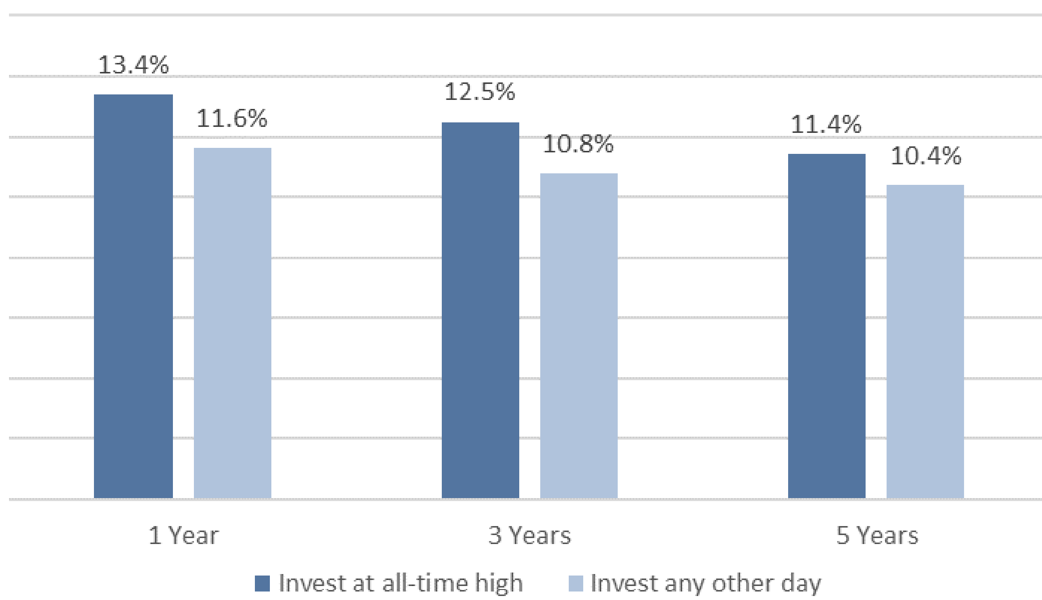
Weekly Commentary

"We Should Wait for a Pullback"

Now that the S&P 500 has once again hit an all-time high, we're going to hear a lot of well-intentioned but uninformed commentators say things like "markets look frothy" or "investors should wait for a pullback before they put money to work." The reality: all-time highs have been great times to invest.

Since January of 1988, investments in the S&P 500 at all-time highs have done better on average, not worse, than investments made on any other day over 1-, 3-, and 5-year horizons (Fig. 1).

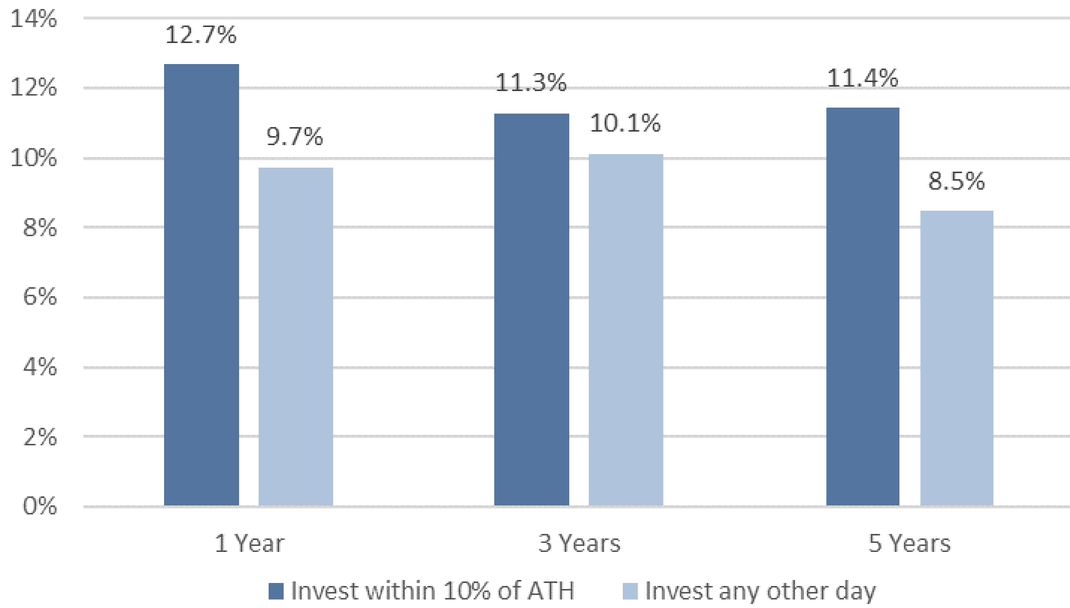
Fig. 1: S&P 500 Total Returns



Source: Bloomberg, Mill Creek. Data reflects January 4, 1988- January 23, 2024.

What would happen if you had only invested after a 10% or greater pullback? Average performance was even worse (Fig. 2)!

Fig. 2: S&P 500 Total Returns



Source: Bloomberg, Mill Creek. Data reflects January 4, 1988- January 23, 2024.

It's worth noting that this analysis understates how poorly a "wait for a pullback" approach usually works because it doesn't include the opportunity cost of waiting. Since 1988 the S&P has traded at an all-time high 10% of the time, within 5% of the all-time high 57% of the time, and within 10% of the all-time high over 70% of the time.

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Disclosures & Important Information