

Dollarlogic

Chapter 2

Chart 2-1

A comparison chart of the SPDR Dow Jones Industrial Average and Moody's Seasoned AAA Corporate Bond Yield.

Dividend Yields vs Corp Bond Yields 1955-2020			
	DIJA	AAA Corp Bond Yld	Stocks Premium
1955	4.42%	3.05%	1.37%
1956	4.60%	3.36%	1.24%
1957	4.96%	3.89%	1.07%
1958	3.43%	3.79%	-0.36%
1959	3.05%	4.38%	-1.33%
1960	3.47%	4.41%	-0.94%
1961	3.11%	4.35%	-1.24%
1962	3.57%	4.33%	-0.76%
1963	3.07%	4.26%	-1.19%
1964	3.57%	4.41%	-0.84%
1965	2.95%	4.49%	-1.54%
1966	4.06%	5.13%	-1.07%
1967	3.34%	5.51%	-2.17%
1968	3.32%	6.18%	-2.86%
1969	4.24%	7.03%	-2.79%
1970	3.76%	8.04%	-4.28%
1971	3.47%	7.39%	-3.92%
1972	3.16%	7.21%	-4.05%
1973	4.15%	7.44%	-3.29%
1974	6.12%	8.57%	-2.45%
1975	4.39%	8.83%	-4.44%
1976	4.12%	8.43%	-4.31%
1977	5.52%	8.02%	-2.50%
1978	6.03%	8.73%	-2.70%
1979	6.08%	9.63%	-3.55%
1980	5.64%	11.94%	-6.30%
1981	6.43%	14.17%	-7.74%
1982	5.17%	13.79%	-8.62%
1983	4.48%	12.04%	-7.56%
1984	5.00%	12.71%	-7.71%
1985	4.01%	11.37%	-7.36%
1986	3.54%	9.02%	-5.48%
1987	3.67%	9.38%	-5.71%
1988	3.67%	9.71%	-6.04%
1989	3.74%	9.26%	-5.52%
1990	3.94%	9.32%	-5.38%
1991	3.00%	8.77%	-5.77%
1992	3.05%	8.14%	-5.09%
1993	2.65%	7.22%	-4.57%
1994	2.76%	7.96%	-5.20%
1995	2.28%	7.59%	-5.31%
1996	2.03%	7.37%	-5.34%
1997	1.72%	7.26%	-5.54%
1998	1.65%	6.53%	-4.88%
1999	1.47%	7.04%	-5.57%
2000	1.60%	7.62%	-6.02%
2001	1.81%	7.08%	-5.27%
2002	2.27%	6.49%	-4.22%
2003	2.00%	5.67%	-3.67%
2004	2.22%	5.63%	-3.41%
2005	2.30%	5.24%	-2.94%
2006	2.24%	5.59%	-3.35%
2007	2.35%	5.56%	-3.21%
2008	3.61%	5.63%	-2.02%
2009	2.63%	5.31%	-2.68%
2010	2.54%	4.94%	-2.40%
2011	2.71%	4.64%	-1.93%
2012	2.72%	3.67%	-0.95%
2013	2.23%	4.24%	-2.01%
2014	2.18%	4.16%	-1.98%
2015	2.50%	3.89%	-1.39%
2016	2.42%	3.67%	-1.25%
2017	2.10%	3.74%	-1.64%
2018	2.00%	3.93%	-1.93%
2019	2.10%	3.39%	-1.29%
2020	2.23%	2.48%	-0.25%
Average	3.34%	6.73%	

Source Data: DIJA, For 1955-2017 Data: SPDR Dow Jones Industrial Average ETF Trust Prospectus, SEC, February 13, 2018
 For 2018-2020 Data: SPDR Dow Jones Industrial Average ETF, Seeking Alpha, July 14, 2021
 AAA Corp Bond Yield, Moody's Seasoned AAA Corporate Bond Yield, FRED Economic Data, July 1, 2021

Chart 2-3

“There is no greater chance that you will have a negative real rate of return in any given year with stocks than with bonds”

How Stock, T-Bills, and T-Bonds performed against inflation

	Stocks > inflation	T-Bills > inflation	T-Bonds > inflation
Years out of...	63	54	53
Total Years	93	93	93
%	68%	58%	57%

Source Data: Aswath Damodran, PhD
12/31/1927-12/31/2020

Chart 2-5

A comparison of stocks and money markets shows stocks are double the value in the mean scenario. This proves that stocks are less risky than money markets.

10 year total returns Money Markets vs Stocks

	Best	Mean	Worst
	\$10,000 =	\$10,000 =	\$10,000 =
Money Markets	2.23% / \$10,598	0.64% / \$10,191	0.01% / \$10,012
Stocks	32.15% / \$15,636	14.34% / \$20,843	-4.23% / \$23,425

Source Data: Vanguard Cash Reserves Federal Money Market Fund, Vanguard, Data as of 12/31/2020
Historical Returns on Stocks, Bonds and Bills: 1928-2020, NYU Stern, Data as of January 2021

Chart 2-6

For this period, 50/50 stocks/bonds significantly outperformed money markets in both the best and median case scenarios and still never experienced negative returns. This remains a good argument for diversification.

10 year rolling returns Money Markets vs 50/50 Stocks and Bonds

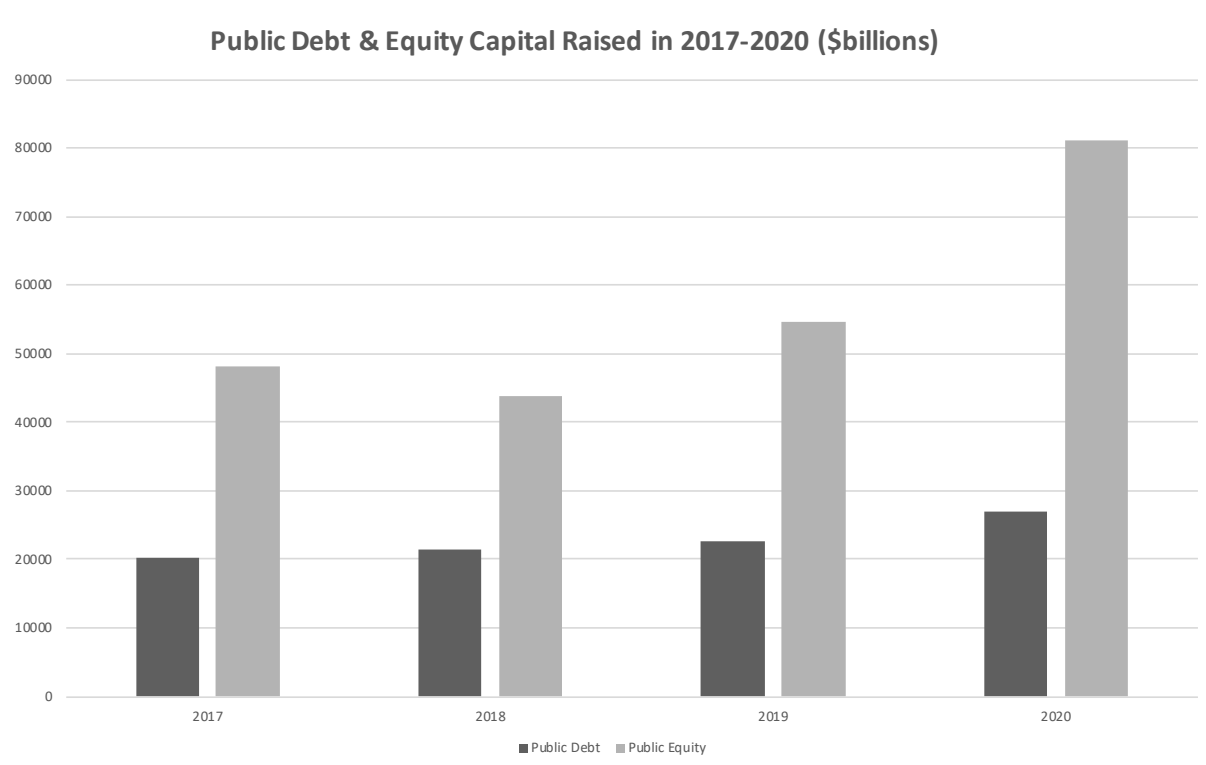
	Best	Median	Worst
	\$10,000 =	\$10,000 =	\$10,000 =
Money Markets	4.26% / \$15,177	2.76% / \$13,129	2.60% / \$12,926
50/50 Stocks, Bonds	16.0% / \$44,114	9.0% / \$23,674	2.0% / \$12,190

50/50 Stocks, Bonds: JP Morgan, *Range of stock, bond and blended total returns 1950-2020*

Money Market: Lutus Rolling Return Calculator, *Lutus Mutual Fund Research Calculator*. Debt: Money Market 2011-2020

Chart 2-7

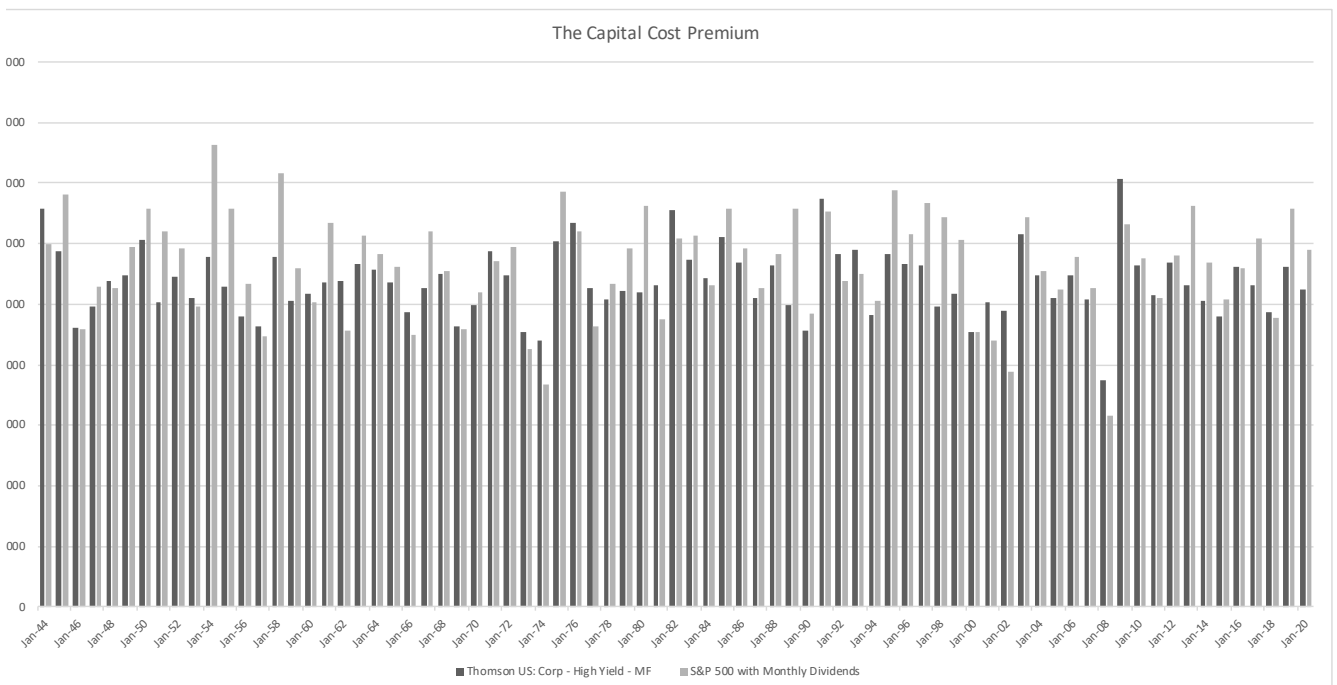
This chart shows the comparison between debt and equity, where the United States is a debtor nation. Stocks outperform bonds because if they did not, debt would never be paid off.



Source Data: Statista *Public debt of the United States from 1990 to 2020* Erin Duffin, *2020 Capital Markets Fact Book* Sifma, 2020 public equity data from Bain and Company *Global Private Equity Report 2021*

Chart 2-8

A comparison of annual stock returns to annual bond returns shows stocks consistently outperforming bonds. This explains the “Capital Cost Premium”, or the excess return needed to pay off underlying debt.



Source: American Funds, Inc., Hypothetical, 12/31/1943 to 12/31/2020, 1 year growth of \$10,000.