

Dumb Forecast For S&P500 Returns

Let us say that you have made 16% per annum for the past 2 years investing in the S&P500. As at this point, you have.

What is the return you would have to make over the next 2 years so that your 4 year average return was equal to the long term potential return of the S&P500?

The 63 year historical average return of the S&P500 is about 10%. I used data from 1954 to the present because that's all I could get. Sorry. If you compounded at 16% for the past 2 years, you would have to make 4.3% p.a. for the next 2 years to bring you back to this average.

What if you thought that long term returns were 7% going forward? Then your next 2 years' average returns would have to be -1.30% p.a.

Chart of S&P 500 and its Exponential Trend Line:



