St. Therese Financial Newsletter

The 7th Inning Stretch

Summer is here and with summer comes baseball! My Yankees are leading their division but, I assume they will tear my heart out when playoff time comes. The markets right now remind me of a baseball term, The 7th Inning Stretch. For those not familiar with the term, this part of the baseball game takes place in the middle of the 7th inning where fans take a break, get up and stretch, sing "Take Me Out to the Ball Game", and grab some snacks before the last 2.5 innings of baseball are played. Thus, in my opinion, the bull market isn't done but, it is in the 7th inning stretch.

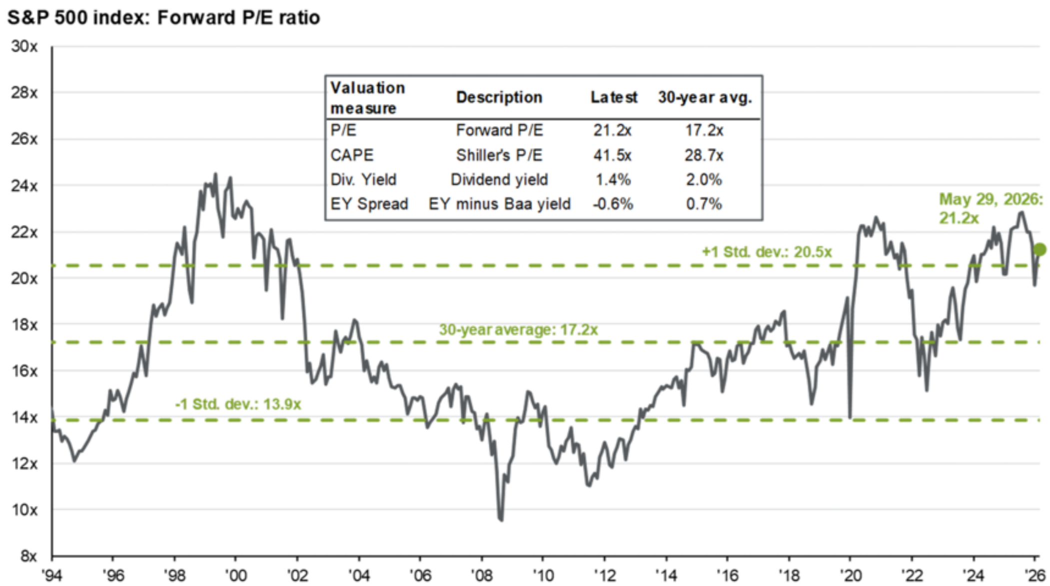


Chart taken from: https://cdn.jpmorganfunds.com/content/dam/jpm-am-aem/americas/us/en/insights/market-insights/gtm/monthly/widescreen-slides/Slide5.PNG?v=1781180042202

Since the Great Financial Crisis, the S&P 500 has an annual average rate of return of 13.45% from 2009-2025[1]. We are also at the tail end of a generational bull cycle that lasts from 2013-2028[2]. Adding to this, as seen in the chart above, the S&P 500's Forward PE Ratio is at a point only seen, since 1994, during the Dot-Com Bubble and COVID pandemic[1]. Those two events were succeeded by the Dot-Com Crash of the early 2000s and the 2022 recession respectively. These forward valuations don't have a strong correlation to subsequent 1-year return performances [4]. However, when looking at an average 5-year performance the data starts to take shape. When forward PE valuations start pushing past this point the annual average rate of return for the S&P 500 is around +2% to -2%[4] for the next five years.

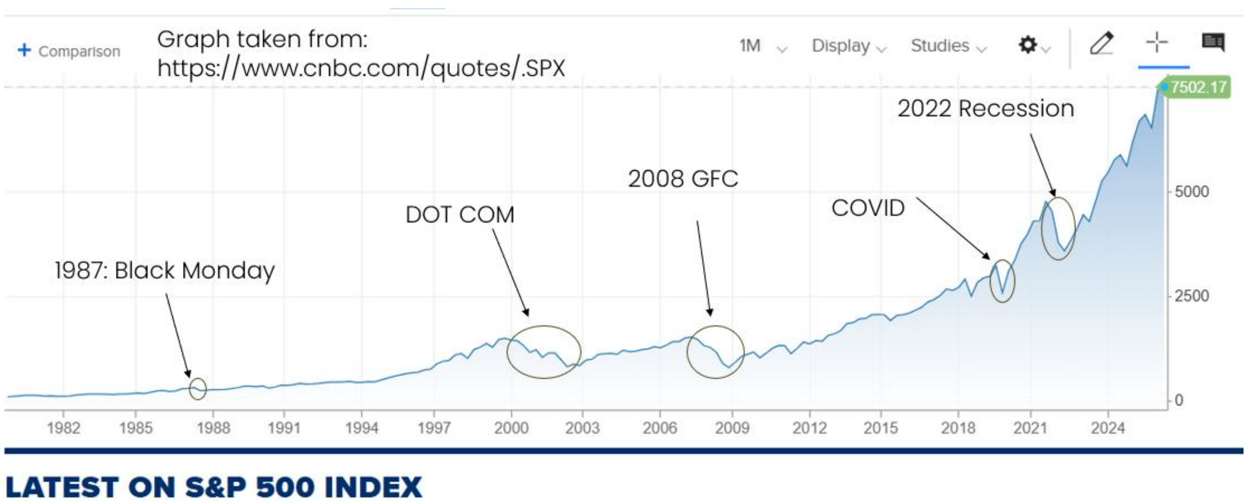
That's just one data point though, doesn't mean much by itself. Let's add a few more layers to this painting. Since 1927 the US has seen six generations, Silent, Baby Boomer, Gen X, Millennial, Gen Z, and Gen Alpha. As shown in the chart below[5], the S&P 500 has alternated between, what I call, Bull and Bear cycles over each generation. One generation will go through a bear market cycle averaging single digit returns. Then the next generation will go through a bull market with double digit returns [5]. The chart below shows that this current Bull cycle ends in 2028 ushering in a bear cycle that lasts from 2029 – 2044[5].

One last point is the national debt, which for the US stands at $34.4 trillion [6]. The two largest expenditures for the US are Medicare and Social Security [6]. A recent article from the Washington Post stated that Social Security's trust fund will run out in 2032 having to cut expenditures by 22% [7]. This potentially creates a sticky situation for the United States in which, they may have to raise taxes, print off money, or both to keep Social Security at the same level. Not particularly popular options but, what is less popular, raising taxes/printing money, or telling people they aren't getting the money they were promised during retirement? This can potentially lead to decreased consumer spending and eroding the value of the dollar. Interesting fact, since the founding of the Federal Reserve in 1913 the US Dollar has lost 97% of its value [8].

GENERATIONAL CYCLES

Generation	Years	SP500	DJIA
Silent Generation	1928 - 1944	2.22%	3.22%
Baby Boomer	1945 - 1964	10.92%	10.14%
Generation X	1965 - 1980	4.38%	2.03%
Millenials	1981 - 1996	11.90%	13.36%
Generation Z	1997 - 2012	6.08%	5.83%
Generation Alpha	2013 - 2028	13.59%	10.90%
Generation Beta	2029 - 2044		

[1] SP500 Data Calculated from data gathered from: https://www.macrotrends.net/datasets/2526/sp-500-historical-annual-returns
[2] DJIA Data calculated from data gathered from: https://www.macrotrends.net/1319/dow-jones-100-year-historical-chart



This is not meant to be an apocalyptic slightly dystopian warning of impending doom. America, in my opinion, will be just fine in the long run and whatever hard times we face we will bounce back from just like we always have in our 250-year history. However, hard times happen and they are natural. What I am trying to do is paint a picture of what the next 15 years might look like so people can make an appropriate plan of action for it. If someone is wanting to retire in 10 years and is banking on the S&P 500 rattling another 10-15 years of double digit returns then, in my opinion, that it a losing strategy. After the bull market of the 80s and 90s the S&P 500 stood at $1,469.25[10] end of day Dec. 31, 1999. The S&P 500 finished at $1,115.10 Dec. 31, 2009[11], an annualized return of -2.72% per year for a whole decade. I think we are more likely to see another decade like that mixed in with high inflation and interest rates than another decade like the 2010s.

Tough times are hard but, if your time horizon is long enough then they are almost like bumps in the road. In the S&P 500 chart above, look at the 2008 Great Financial Crisis. A terrible period of time but, if you had a 20–30-year time horizon you probably did just fine, even with COVID and another recession. If you were someone that wanted to retire or had some larger financial goals for 2009 or even a few years after, that probably hurt. My thinking is the same for right now in 2026. If you have a 20-30-year time horizon you will have to go through a pretty nasty speed bump but, in my opinion, will be fine in the long term. However, if you are someone that has plans of retirement or other large financial goals over the next 10 years or so, it may be worth talking to a financial professional. See if you would still be on pace if the markets looked more like 2000s or, in a more severe scenario, a period of time like 1930 – 1940 which saw the great depression and the start of a second world war.

References

References:

[1] Annual rate of return calculated from data taken from: https://www.macrotrends.net/datasets/2526/sp-500-historical-annual-returns

[2] Generational data calculated from data taken from: https://www.macrotrends.net/datasets/2526/sp-500-historical-annual-returns

[3] https://cdn.jpmorganfunds.com/content/dam/jpm-am-aem/americas/us/en/insights/market-insights/gtm/monthly/widescreen-slides/Slide5.PNG?v=1781180042202

[4] https://cdn.jpmorganfunds.com/content/dam/jpm-am-aem/americas/us/en/insights/market-insights/gtm/monthly/widescreen-slides/Slide6.PNG?v=1781180042202

[5] Data Calculated from data gathered from: https://www.macrotrends.net/datasets/2526/sp-500-historical-annual-returns and https://www.macrotrends.net/1319/dow-jones-100-year-historical-chart

[6] https://www.visualcapitalist.com/charted-heres-who-owns-u-s-debt/

[7] https://www.washingtonpost.com/ripple/2026/06/09/the-social-security-trust-fund-will-run-dry-in/

[8] https://www.visualcapitalist.com/charted-the-declining-purchasing-power-of-the-u-s-dollar/

[9] https://www.cnbc.com/quotes/.SPX

[10] https://www.statmuse.com/money/ask?q=what+was+the+s+and+p+500+at+dec+31%2C+1999

[11] https://www.statmuse.com/money/ask?q=what+was+the+s+and+p+500+at+dec+31%2C+2009