

Brad Brain: The importance of perspective

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Brad Brain: "Given all this – the wars, the politics, the economic hard times, even the pandemics – as I write this the Dow Jones Industrial Average is sitting at 26,652. Recall that it was at 8235 in September 2001."

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Recently I was cleaning my office, and I came across some old newspapers that I saved from September 2001. That was a month that changed the world.

On September 11, 2001, the headline in the Alaska Highway News was "Trade Centers Obliterated." Many of you will remember the ghastly images of the hijacked planes crashing into the twin towers of the World Trade Center.

Following the attack, the U.S. stock markets closed for a week. When the markets re-opened, stocks plunged. A September 22, 2001, headline from the Financial Post reads "Markets in Historic Decline." The U.S. stock markets suffered their worst week since 1933, down 14.3% in just five days of trading.

So why do I save these old newspapers? I'll tell you why. For perspective.

On Friday, September 21, 2001, the Dow Jones Industrial Average closed at 8235. The Standard & Poors 500 index closed at 965. And we had just entered into a new era.

Suddenly, terrorism wasn't just something that only happened overseas. In the aftermath of September 11, nobody knew what was going to happen next. We already had fears of a global recession, and now the threat of war was imminent. And we just went through the worst week for the stock market since the Great Depression; declining even more than May 1940, when Hitler invaded France.

This was unprecedented territory. And things didn't get much better. We did indeed go to war. And then we had colossal accounting scandals, another war in Iraq, a housing bubble in the U.S, the sub-prime crisis, and the Great Recession of 2008.

But we were not out of the woods yet. After the Great Recession, we've seen the U.S. fiscal cliff, Brexit, the collapse of oil prices, the contentious 2016 U.S. Presidential election, and bitcoin mania.

Oh yeah, we also had the quickest bear market in history just this past spring, when the markets fell 20 per cent in 20 days.

COVID-19 is top of mind now, but this isn't the first pandemic that we have seen. Over this same time period, we dealt with SARS, the bird flu, H1N1, the Zika virus, and ebola. By any measure, it has been a rough 20 years.

But given all this – the wars, the politics, the economic hard times, even the pandemics – as I write this the Dow Jones Industrial Average is sitting at 26,652. Recall that it was at 8235 in September 2001.

That is a gain of 323%, and it happened during one of the ugliest patches of economic history that you are likely to look at.

The Dow Jones performance wasn't a fluke either. Over this same time frame the S&P 500 went from 965 to 3235, a gain of 335%.

So then, let me sum this up. In 2001, the Dow Jones was at 8235. Then a whole bunch of really bad things happened over a 20-year time period. Nonetheless, nowadays the Dow Jones is at 26,652.

Perspective.

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