What Investors Can Be Thankful About

Accentuating the positive during a challenging year for Wall Street.

Provided by Ed Grondahl

2015 has presented the world & the markets with considerable challenges. Terrorist shocks, the Russia-Turkey spat, the possibility of a fractured eurozone, the wild ride for Chinese equities and the global manufacturing slump ... yes, they have weighed on minds and markets, but as the year draws to a close, there is also much to encourage us, and much we can be thankful about economically.

The "fear index" is still quite low. The CBOE VIX, the Chicago Board Options Exchange Volatility Index that Wall Street takes as a barometer of investor anxiety, closed at 15.12 as Thanksgiving weekend began – down 21.25% YTD. It briefly spiked above 40 this summer, but it has remained below 20 for most of the year.[1]

The "misery index" is at its lowest level in 59 years. Does that phrase ring a bell? If you have invested for a while, it may. The "misery index" – simply defined as the inflation rate added to the jobless rate – has not been this low since the Eisenhower era. (The phrase was coined back in the 1970s when inflation and unemployment were irritatingly high.) As November turns into December, you have a misery index of just 5.3% (5.1% unemployment, 0.2% consumer inflation). Not since the spring of 1956 have these combined numbers been so low. Actually, some economists would prefer greater inflation – including economists at the Federal Reserve, which has set a 2% annual inflation target.[2]

Inflation has been remarkably mild for some time. Decades, in fact. From 1970-82, the Consumer Price Index rose an average of 7.7% per year. Since 1985, consumer inflation has averaged only 2.8%.[3]

The federal budget deficit has been reduced. While you cannot say the same for the national debt, our federal deficit has been halved in just five years. In FY 2015, the deficit ran $435 billion. In FY 2014, it was $483 billion. During 2009-12, it exceeded $1 trillion.[3]

Gas is very cheap right now. In 2012, the price of a gallon of gasoline averaged $3.68 nationally. Fuel industry analysts forecast that the national average price will descend to a low of $2.03 in December – that means gas will available for less than $2 a gallon in many states – and average just $2.38 across 2016. Oil supply continues to outpace oil demand.[3]

We have seen 68 straight months of job growth. In the winter of 2010, a remarkably long streak of net monthly job gains began. Unsurprisingly, that has taken the jobless rate down to its lowest level since early 2008.[3]

The S&P 500 may manage a 2015 gain after all. We had a correction on Wall Street this summer, but the broad benchmark is about where it was at the end of 2014. It ended Thanksgiving weekend at 2,090.11, up 1.52% YTD. The blue chips, too, have clawed their way back from a pronounced summer descent – the Dow settled at 17,798.49 on November 27, down just 0.14% so far this year. Since the infamous Black Monday – the day the Dow lost more than 22% of its value in 1987 – the Dow's value has increased by a factor of ten. (The index closed at 1,738.70 on October 22, 1987.)[3,4]

There is much to worry about when it comes to the world and the economy, but there is also much to be thankful for and to appreciate as we celebrate the holidays and await 2016.

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Citations.

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