

December 2021

Looking Ahead to 2022 — Can the S&P 500’s Rally Continue?

John Rothe

President & Chief Investment Officer
Portfolio Manager

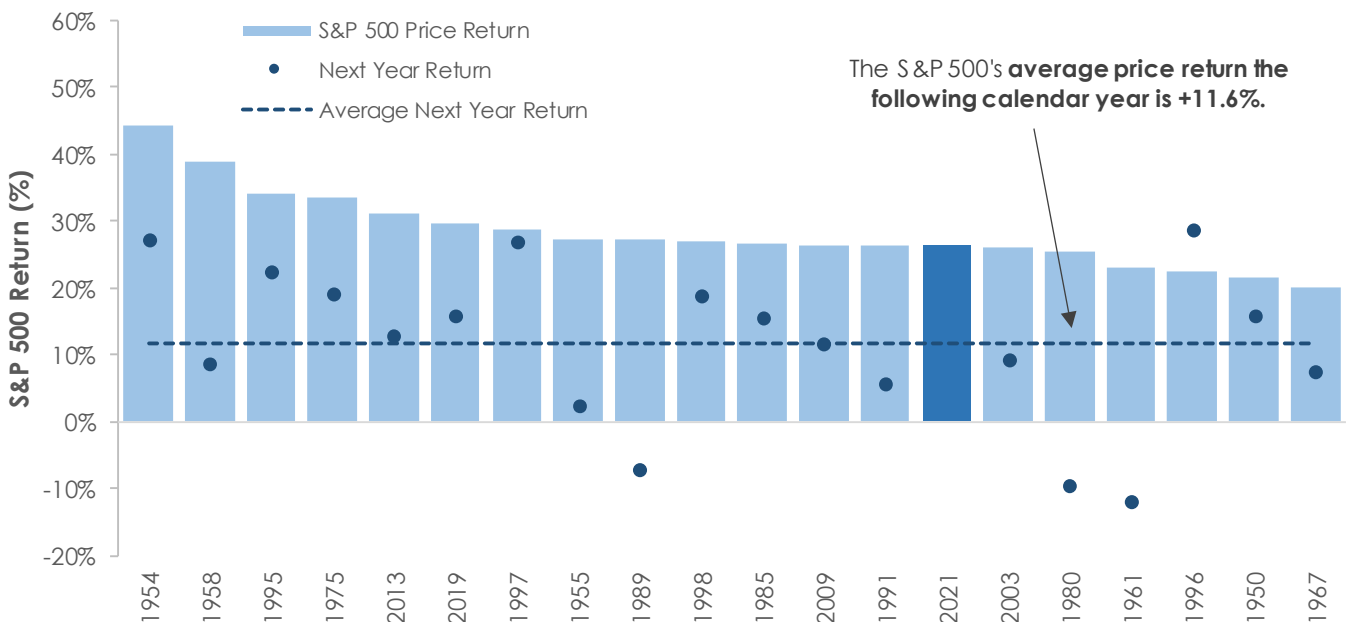
john.rothe@riverbendinvestments.com

2021 is quickly coming to an end, and investors are turning their attention toward 2022. Before the calendar turns, we want to take one last look at 2021. It’s been a year defined by Covid cases and vaccinations, supply chain bottlenecks, labor and raw material shortages, and rising inflation. Despite 2021’s craziness, the S&P 500 has generated an impressive +26.3% price return through 12/10. Figure 1, which ranks the S&P 500’s 20 strongest years since 1950, shows 2021’s return ranks 14th highest.

You may be wondering if the S&P 500’s rally can carry forward into 2022. A look back at history suggests it may. The blue dots in Figure 1 plot the S&P 500’s performance during each of the following calendar years. Excluding 2021, the S&P 500 produced a positive return 16 out of 19 years with an average +11.6% return. For context, the S&P 500’s average annual price return for all years since 1950 is +9.5%.

This is not to say the S&P 500 cannot trade lower during 2022, because it certainly could. However, it does indicate the S&P 500 is not destined to trade lower simply because of 2021’s strong return. It can be easy to worry and think this time is different amid the current environment. We do not know when the pandemic will end, how severe the Omicron will be, how long inflation pressures will last, or what will happen during 2022’s midterm elections. While there are always risks to worry about, it is important to keep the big picture in mind. Right now, data indicates the U.S. economy is growing and the recovery is progressing. In our view, it’s hard to ask for much more.

FIGURE 1 — Top 20 S&P 500 Annual Price Returns (1950-Present)



Source: MarketDesk. Past performance does not guarantee future results.

Riverbend Investment Management (“Riverbend”) is a registered investment advisor offering advisory services in registered states and in other jurisdictions where exempted. Registration does not imply a certain level of skill or training.

This communication is for informational purposes only and is not intended as tax, accounting or legal advice, as an offer or solicitation of an offer to buy or sell, or as an endorsement of any company, security, fund, or other securities or non-securities offering. This communication should not be relied upon as the sole factor in an investment making decision.

Past performance is no indication of future results. Investment in securities involves significant risk and has the potential for partial or complete loss of funds invested. It should not be assumed that any recommendations made will be profitable or equal the performance noted in this publication.

The information herein is provided “AS IS” and without warranties of any kind either express or implied. To the fullest extent permissible pursuant to applicable laws, Riverbend Investment Management LLC (referred to as “Riverbend”) disclaims all warranties, express or implied, including, but not limited to, implied warranties of merchantability, non-infringement, and suitability for a particular purpose.

All opinions and estimates constitute Riverbend’s judgement as of the date of this communication and are subject to change without notice. Riverbend does not warrant that the information will be free from error. The information should not be relied upon for purposes of transacting securities or other investments. Your use of the information is at your sole risk. Under no circumstances shall Riverbend be liable for any direct, indirect, special or consequential damages that result from the use of, or the inability to use, the information provided herein, even if Riverbend or a Riverbend authorized representative has been advised of the possibility of such damages. Information contained herein should not be considered a solicitation to buy, an offer to sell, or a recommendation of any security in any jurisdiction where such offer, solicitation, or recommendation would be unlawful or unauthorized.



Riverbend Investment Management, LLC

Mailing Address:

179 Rehoboth Beach Ave #1165

Rehoboth Beach, DE 19971