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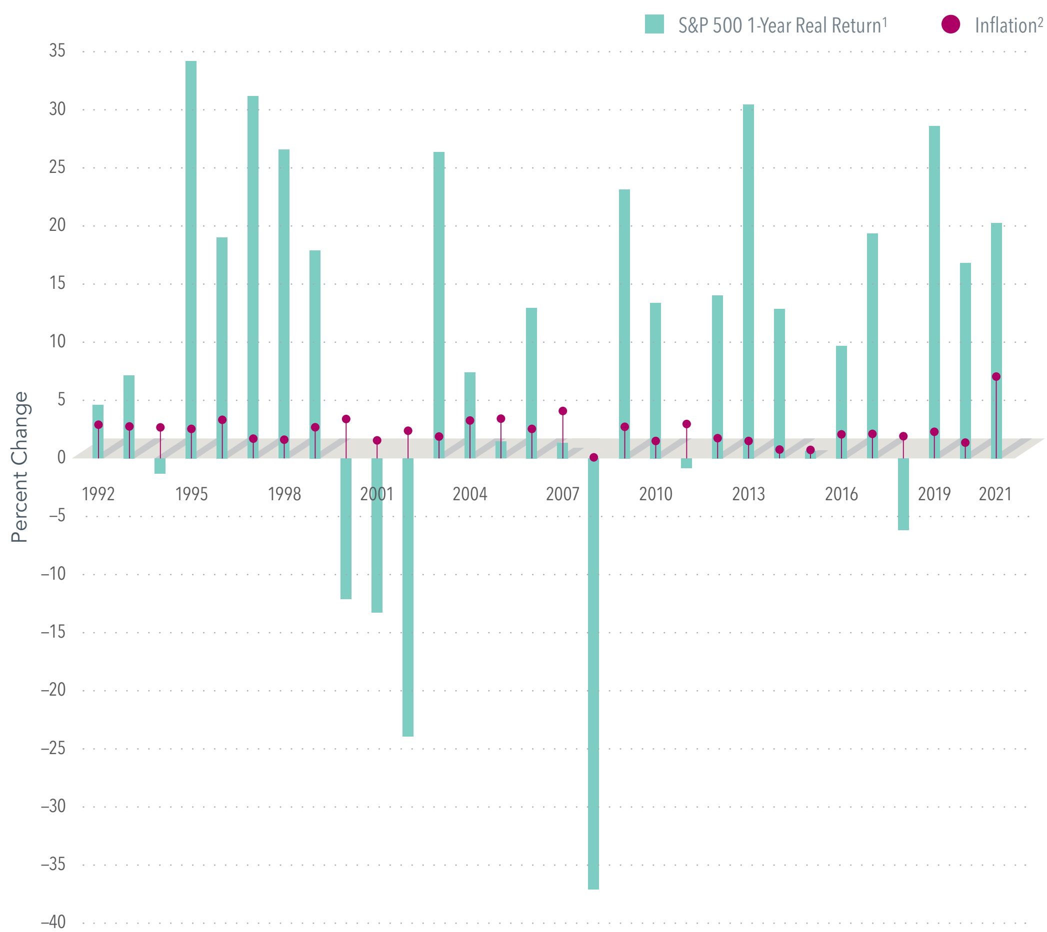
Will Inflation Hurt Stock Returns? Not Necessarily.

STOCKS VS. INFLATION



Investors may wonder whether stock returns will suffer if inflation keeps rising. Here's some good news: Inflation isn't necessarily bad news for stocks.

- A look at equity performance in the past three decades does not show any reliable connection between periods of high (or low) inflation and US stock returns.
- Since 1992, one-year returns on stocks have fluctuated widely. Yet the weakest returns can occur when inflation is low, and 23 of the past 30 years saw positive returns even after adjusting for the impact of inflation.
- Over the period charted, the S&P 500 posted an average annualized return of 8.1% after adjusting for inflation. The annualized inflation-adjusted return on US stocks is 7.3% when going all the way back to 1926.

History shows that stocks tend to outpace inflation over time—a valuable reminder for investors concerned that today's rising prices will make it harder to reach their long-term financial goals.

1. Real returns illustrate the effect of inflation on an investment return and are calculated using the following method: [(1 + nominal return of index over time period) / (1 + inflation rate)] – 1. S&P data © 2022 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.
2. Based on non-seasonally adjusted 12-month percentage change in Consumer Price Index for All Urban Consumers (CPI-U). Source: US Bureau of Labor Statistics.

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