

## ECONOMIC OUTLOOK

I like old Western films. My wife thinks this is odd, but the reason I like them is that the good guys almost always win in the end. Monte Walsh, a Western from 1970 starring Lee Marvin and Jack Palance, was remade in 2003 with Tom Selleck and Keith Carradine. It takes place in the waning years of the “Old West,” with longtime cowboys Monte and Chet struggling to adapt to changing times. As consolidation and industrialization replace the hands-on cowboy approach to ranching, Monte sees his younger friends fired by ranchers who no longer require the services of the cowboys. His best friend, Chet, decides to get married and live in town. Monte considers joining a Wild West show, but he still refuses to adapt and wants to keep things the way they have been.

Financial markets, too, are always changing. The trick in adjusting is to separate investment fads from trends. Fads are short-lived, intensely popular environments, while trends are more gradual – and enduring – developments. It’s important to recognize the difference. Fads require a large dose of market timing, which rarely results in long-term success. Trends, on the other hand, offer a more predictable approach to recognizing long-term investment goals. Then there is the additional challenge that a collective series of fads can link to form a trend; that’s a topic for a different time.

Stock market investors seemingly have spent the last two years focused on any company with the letters “AI” in its name and traded on U.S. markets. For the two years ended December 2024, the MSCI World Index

had a return of 21.7% compared to the MSCI World excluding the U.S., which had a return of only 11.8%. Suddenly, year to date, the ex-U.S. index is up 6.87% while the index including the U.S. is up only 2.84%. Were the last two months a fad, or the start of a trend? Interestingly, the 50-year return of the index that includes the U.S. shows an annualized return of 9.09%, while the one that excludes the U.S. had an annualized return of 7.93%. This is one of the reasons why our long-term stock allocations tend to favor U.S. over non-U.S. allocations (but not to their exclusion).

My other point here is to highlight the gap between the returns over the last several years compared to the long-term average. This S&P 500 data graph prepared by our team shows the long-term average annual compound return of the index, the annual return for each year and the rolling compound return. In the early years, the impact of each annual return has a noticeable impact on the rolling return. However, as you can see, the longer the investment horizon, the closer the compound return gets to the long-term average. >>>



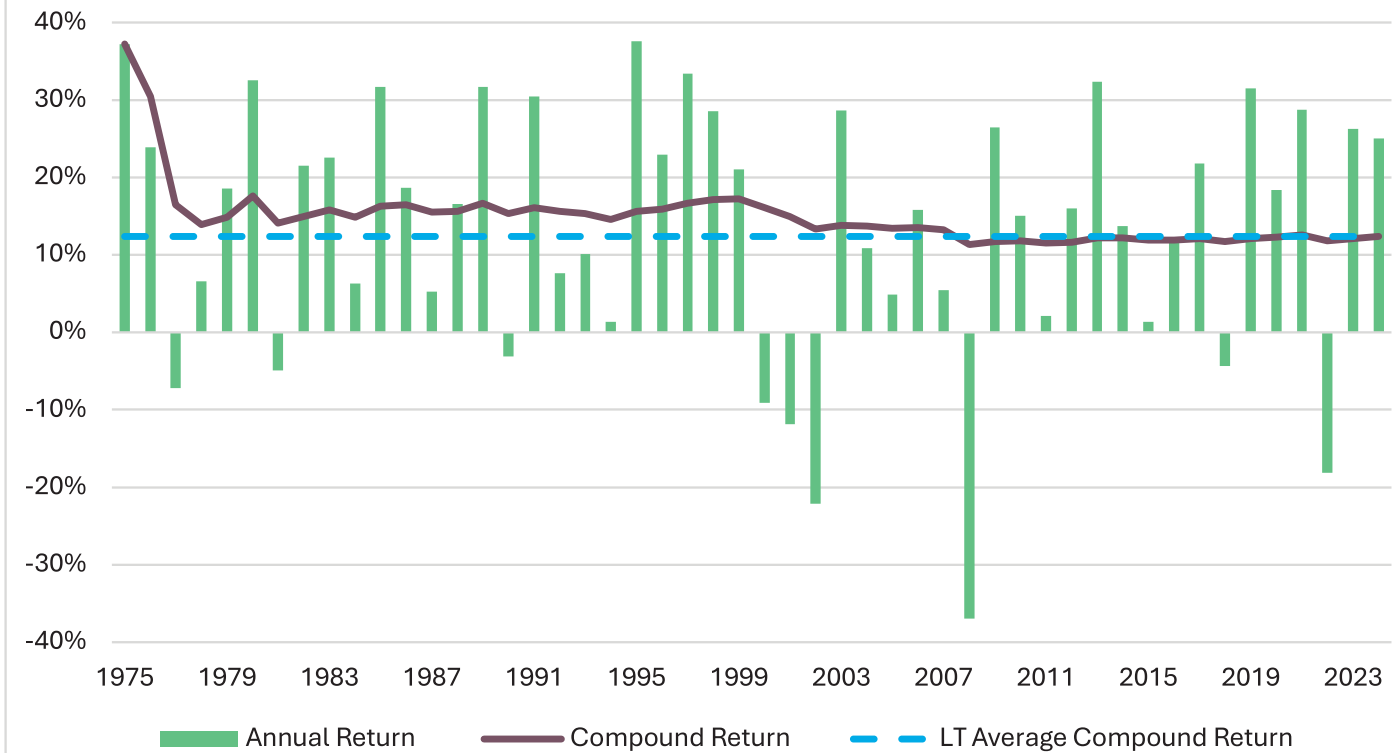
**Greg Sweeney, CFA<sup>®</sup>**  
SVP/Chief Investment Officer

**Tenure:** 1992

**Investment Experience:**  
39 years

**Education:** Bachelor's degree in business, University of North Dakota; Chartered Financial Analyst designation

## S&P 500 1975 - 2024



Over time, returns gravitate toward the mean (long-term average). Unlike Monte's situation, in the long term, markets will be the way they always have been.

Thank you for your business and confidence in Bell.