Recent Market Volatility in Context

Global Equity Markets

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The 'credit crunch' of 2007/2008 has evolved from its quiet beginnings in the US mortgage market to a global financial crisis. Against this backdrop, most global stock markets have experienced sharp declines. While the current landscape is unnerving for investors, it is valuable to view the recent declines in equities in the context of historical performance.

The graph to the right illustrates the annual returns of global equities from 1970 to 2008, reflected by the MSCI World Index. The graph is 'skewed' to the right, showing that the majority of years have witnessed positive returns (from 0% to over 30%), predominantly delivering between 10% and 30%. Among the 11 years of negative performance, 2008 has seen the largest decline. This reinforces the case for a patient, long-term approach to investing in stock markets.

Global equities: MSCI World Annual Returns 1970-2008 (%)

Positive years: 27
Negative years: 11

←-30	-30 to -20	-20 to -10	-10 to 0	0 to 10	10 to 20	20 to 30	→30
2008	2002	2001	2000	2007	2006	2003	1986
	1990	1973	1994	1987	2005	1999	1975
	1974		1992	1981	2004	1998	
			1977		1996	1997	
			1970		1991	1995	
					1984	1993	
					1982	1989	
					1979	1988	
					1978	1985	
					1976	1983	
					1971	1972	

Total returns, local currency (%)

Source: Datastream. All data to 31.12.2008. The information provided is for illustrative purposes only and is not meant to represent the past or future performance of any particular investment or the indices. It is not possible to invest directly in an index.

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