

# Billy Joel and Investment Success

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When I was younger, I didn't go to nearly enough music concerts. So now I am making sure I see some of the icons of my youth. On July 1st, Billy Joel is coming to PNC Park...and I have tickets...very exciting. What makes this more enjoyable is that on Sirius XM Radio there is a Billy Joel channel currently airing for a short period of time. The best thing about this channel is that Joel talks between the songs. He tells stories, explains the melodies, and speaks to his inspirations. A couple of weeks ago, I heard his story of "We Didn't Start the Fire." If you don't remember this song, enjoy the clip here: <https://www.youtube.com/watch?v=eFTLKWw542g>.

Joel said many people thought this was an excuse for Baby Boomers, of which he is one. He was noodling around on some thoughts about the world and started to list events and people starting from 1949, the year he was born. You may recall the song opens with, "Harry Truman, Doris Day, Red China, Johnnie Ray, South Pacific, Walter Winchell, Joe DiMaggio." Joel moves through each year and once he gets to 1968, he moves quickly up to 1989. The reason for this jump is that he said he felt like everything started to move faster, so he wanted the song to reflect that. (That is what artistic geniuses do, I guess).

His final point was that this was not a song making excuses for Baby Boomers, but to paraphrase, "The world has always been messed up, is messed up now, and will be messed up in the future."

As I drove and listened, it got me thinking about the current market drop and many investors' reactions to it. It is a similar reaction that occurs often when markets drop. People grasp for a rationale, and often times they are led to directly linking political events because the media ties the two together. Sometimes, geopolitics are a reason why financial markets move, both up and down, but certainly not always nor in the magnitude or direction we think.

There is a behavioral mechanism at work when we do this however; an internal motivation in our brain. Scientists refer to our Reflective Brain and our Reactive Brain. Within our Reactive Brain, we assemble items instinctually. Long ago, we did this for life and death survival. Now, hunted less often by Saber Toothed Tigers, we use the system to assess other risks, financial risks being one. One way we assemble information reactively is by forming an Availability Bias. This bias moves us to make judgments based on what we know. What do we know? Well, the things that are most directly available to us from memory. We think what will happen is what most recently happened. We do this with weather, sports, and financial markets for sure.

I decided to take a page from Billy Joel and build a table of market returns and world events (with great thanks to Google). Below you will see a timeframe of which most everyone reading this was not investing, the period from 1950 – 1970. You will see the returns of the S&P 500 Index, a major political event, and then another interesting history note.

Table 1: 1950—1970

Year	S&P 500 Index Return	Political Event	History of Note
1950	31.7%	Korean War begins	Xerox machine introduced
1951	24.0%	Rosenbergs sentenced to death	Color TV introduced
1952	18.4%	Hydrogen bomb blasts in Enewetak	Yankees beat Dodgers in World Series
1953	-0.99%	USSR detonates bomb	Discovery of DNA
1954	52.6%	Algeria begins war against France	Salk inoculates against polio
1955	31.6%	Warsaw Pact signed	Rosa Parks is arrested
1956	6.6%	Egypt takes control of Suez Canal	Elvis emerges with <i>Heartbreak Hotel</i>
1957	-10.8%	Russians launch Sputnik	The Little Rock Nine integrates Arkansas school
1958	43.4%	U.S. Marines enter Lebanon	U.S. Life Expectancy is 69.9 years
1959	12.0%	Castro takes over Cuba	Alaska and Hawaii become states
1960	0.47%	U.S. spy plane shot down over Russia	90% of U.S. homes have a TV
1961	26.9%	Bay of Pigs	World population is 3.08 billion
1962	-8.7%	Cuban Missile Crisis	John Glenn orbits earth
1963	22.8%	Kennedy assassinated	First human heart transplant
1964	16.5%	Civil Rights Act signed	Beatles on <i>Ed Sullivan</i>
1965	12.5%	LA Riots in Watts	ABC pays \$32 million to broadcast college football
1966	-10.1%	Supreme Court decides on Miranda	Medicare begins
1967	24.0%	Six Day War between Israel and Egypt	Scientists discover breakdown of protons and neutrons into quarks
1968	11.1%	RFK and MLK are assassinated	<i>60 Minutes</i> airs on CBS
1969	-8.1%	Nixon inaugurated	Apollo 11 - first walk on moon
1970	3.9%	Four students killed at Kent State	Beatles break up

Cont.

## Billy Joel and Investment Success Cont.

When you examine this table what do you conclude? Do you see a correlation between negative geopolitics and the stock market? Did I cherry pick this period of time?

Let's pick a different time period in which many readers have been invested, 1990 – 2000.

Table 2: 1990—2000

Year	S&P 500 Index Return	Political Event	History of Note
1990	-3.1%	Persian Gulf War	World Wide Web debuts
1991	30.5%	Soviet Union breaks up	U.S. Life Expectancy is 75.5 years
1992	7.6%	Iran-Contra indictments	CDs surpass cassette tapes
1993	10.1%	World Trade Center is bombed	U.S. median household income is \$31,421
1994	1.3%	Balkan War escalates	OJ Simpson arrested
1995	37.6%	Oklahoma City bombing	World's first cloned sheep
1996	23.0%	Khobar Towers bombed	Approximately 45 million people are using the Internet
1997	33.4%	Hong Kong returns to Chinese rule	Princess Diana and Mother Theresa die
1998	28.6%	U.S. Embassies in Kenya and Tanzania bombed	Viagara is approved by FDA
1999	21.0%	Russia sends troops into Chechnya	Clinton acquitted of impeachment charges
2000	-9.1%	Dot Com bubble bursts	Human genome is deciphered

Once again, what do you see?

If I created this table for every year from 1929 through 2015, you would see a similar result; every year there is a bad geopolitical event, but that does not transfer to a negative year in the stock market.

I am not going to tell you that anyone knows what the rest of 2016 will look like for investment returns. After all, when we look back, it is history, not prophecy. I'm also not going to tell you that some of what is happening around the world doesn't cause me great concern. What I will share with you is that the world has a hotspot at all times, but regardless of the hot spots, science, technology, innovation, and standards of living have continued to rise, and

*“After all, time is your biggest ally for investment success.”*

so too has the world's investment markets over the long term.

You and I cannot control world events or market movement. What we can control is our level of saving and spending, our investment actions, and our patience. After all, time is your biggest ally for

investment success. A friend and reader suggested I remind everyone that \$1 invested in the S&P 500 in 1950 would be worth \$1,007 today. If invested in 1990, a dollar would be worth \$9.20. That same 1990 dollar, not invested but held on to, would be worth \$1.87. My friend notes, “That's the value of investing, not speculation.”



*If you would like to discuss the subject matter in this article or any question related to your financial planning, please contact David Jeter at [djeter@allegheynfinancial.com](mailto:djeter@allegheynfinancial.com) or 412.536.8012.*

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