

20 Years of Gains in Just 79 Days

October 2000

My first newsletter was dated October 22, 1980. In the 239 months between then and September 22, 2000 (the day I began writing this special issue), the Dow Jones index soared 1,036%, from 955 to 10,847.

That is truly a record bull market. Looking back, you might think that anyone could make money in that market. Not so. The total capital gain on the Dow came in just 79 of 5,034 trading days. If you were scared out of stocks for just those 79 days, you missed the whole gain. Shocks like the Latin debt crisis in 1982, the crash of 1987, Tiananmen Square in 1989, the Gulf War in 1990, and the Asian currency crisis of 1997 scared a lot of investors out of stocks for at least some of those 79 days.

What will the stock market do next? Odds are it will go up or down! And it is very close to a 50-50 proposition. Of the 5,034 trading days in this sample, there were 2,644 up days (52.5%) and 2,374 down days (47.2%). Only 16 days were flat. And all the gains came on just 1.4% of the days--four days per year; or one day per calendar quarter.

Yes, some investors get the timing right for a while, but that is no assurance they will get it right the next time. Being "right" in 1987 was a path to regrets. Those who sold in August 1987 had a hard time getting back in after the crash. They missed a lot of those best 79 days. (Ten of the top 79 gains came from October 20 to December 18, 1987.)

How many days will produce all the gains in the next 20 years? No one knows. But do yourself a huge favor and make a resolution right now that you will stay in this market for as long as the big picture is favorable for stocks, and don't miss a single one of the coming handful of best days.

These sobering facts about market timing also apply to individual stocks. Many subscribers now ask why we didn't sell **Scientific Atlanta*** (NYSE: [SFA](#), \$64) when it briefly hit \$94 last August. This isn't the first time I have been asked that sort of question about Scientific Atlanta. In June 1998, SFA hit \$26. Three months later, in September, the stock was back down to \$12. Subscriber mail was really angry back then. Those were the days when the Long Term Capital Management hedge fund collapse shattered bond markets around the world. Watching SFA fall by more than 50% wasn't fun. Everyone said--"admit your mistake and sell it."

But even at \$60 a share, after a 2:1 stock split, we have more than quadrupled our money from the June 1998 *peak*, and multiplied our money 10-fold from the stock's 1998 bottom. A double in 18 months is always great, but a quadruple made riding out the fall 1998 market crunch worthwhile. I know that some angry subscribers canceled their subscriptions and sold SFA in the fall of 1998, but I did my best to prevent that from happening. Scientific Atlanta's business is booming. That is likely to continue for several years. We could see \$180 in two years or less. That is why we hold on.

Benjamin Graham wrote in the 1930s that individual stocks can rise or fall by 50% for "no good reason." The timing is always uncertain. Some stocks go through corrections and fall sharply, and others don't. The #1 lesson from market history is that when you invest in a good company, hang on!

* All prices are as of September 29, 2000, rounded to the nearest dollar. Our stocks are in **bold** type. All others are *italics*.

© 2000 by Phillips Publishing, Inc., Founding Member of the Newsletter Publishers' Association of America. Photocopying, reproduction or quotation strictly prohibited without written permission of the publisher.