BESPOKE Investment Group

B.I.G. Tips

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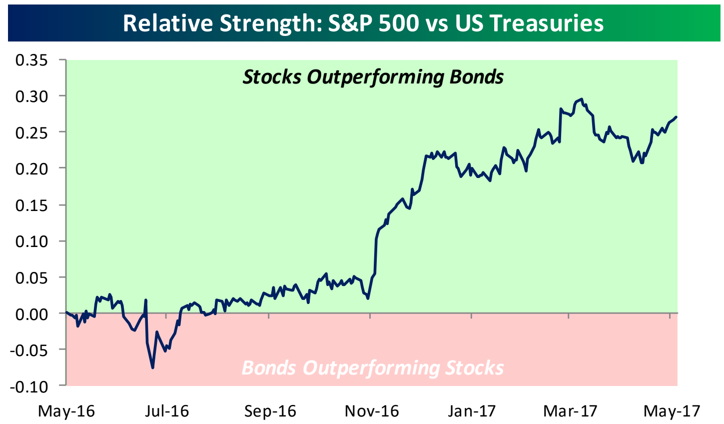
It's About Time: Equities Overtake Treasuries

The chart to the right is from our *Morning Lineup* report and shows the relative strength of the S&P 500 versus long-term US treasuries over the last year. In the chart, a rising line indicates that the S&P 500 is outperforming long-term treasuries and vice versa for a falling line. In addition, when the line is in the green zone, it indicates that stocks are outperforming the S&P 500 since the start date, while levels in the red zone indicate that treasuries have outperformed.



In addition to the one-year chart mentioned above, we wanted to take a longer-term look at the relative strength of the S&P 500 and long-term US Treasuries by going back ten years. What is really striking about this chart is that despite the massive bull market we have seen over the last eight years, from a starting point of ten years ago, for the vast majority of the time you would have been better off in long-term treasuries than in the S&P 500. As shown in the chart below, starting in May 2007, equities briefly outperformed, but by the end of 2007 equities started to underperform and then dug themselves into such a deep hole that it took nearly eight years to dig itself out! It wasn't until after the election late last year that equities finally moved back into the green. To put it in terms of dollars and cents, if you had invested $1,000 in long-term treasuries (10+ year maturity) in May 2007, that $1,000 would currently be worth $1,892 today. For the S&P 500, that $1,000 would only be worth 5.7% more, or $2,001. Not much of a difference!