



Letter to the Editor

July 13, 2010

The following is in response to Michael Nairne's article, [And the Winner Is...](#), which appeared last week.

Dear Editor,

What was the winner during the protracted bear/sideways markets of 1966 – 1982 (or the '70's, if you restrict a study to a decade)? That period seemed to be just as tough on investors, if not the economy/public in general, as the 1930's.

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Michael Nairne responds:

I ran the numbers for both time periods. I also added inflation adjusted numbers given the high inflation of the period. (Note: Inflation-adjusting the 1930's did not change the findings in our article, so we didn't comment on this aspect.)

Essentially, the longer duration of the Ibbotson Corporate Bond index puts it into second place after Intermediate Government returns. However, it continues to beat the Long-Term Government Bond index – again the payment for default risk is present. On an equivalent-duration basis, Corporate bonds likely outperformed Intermediate Government bonds as well.

Summary Statistics - UNTITLED 1/1966-12/1982				
	N Periods	Geometric Mean (%)	Arithmetic Mean (%)	Standard Deviation (%)
IA SBBI US IT Govt TR USD	204	7.01	7.23	6.98
IA SBBI S&P 500 TR USD	204	6.8	8.05	16.59
IA SBBI US LT Corp TR USD	204	4.89	5.44	10.96
IA SBBI US LT Govt TR USD	204	4.44	5.05	11.43
IA SBBI US IT Govt Infl Adj TR USD	204	0.19	0.41	6.74
IA SBBI S&P 500 Infl Adj TR USD	204	-0.01	1.2	15.8
IA SBBI US LT Corp Infl Adj TR USD	204	-1.8	-1.26	10.5
IA SBBI US LT Govt Infl Adj TR USD	204	-2.22	-1.63	10.89



Summary Statistics - UNTITLED 1/1970-12/1980				
	N Periods	Geometric Mean (%)	Arithmetic Mean (%)	Standard Deviation (%)
IA SBBI S&P 500 TR USD	132	8.03	9.43	17.69
IA SBBI US IT Govt TR USD	132	6.7	6.92	6.95
IA SBBI US LT Corp TR USD	132	5.38	5.87	10.31
IA SBBI US LT Govt TR USD	132	4.62	5.13	10.52
IA SBBI S&P 500 Infl Adj TR USD	132	0.2	1.54	16.66
IA SBBI US IT Govt Infl Adj TR USD	132	-1.04	-0.82	6.57
IA SBBI US LT Corp Infl Adj TR USD	132	-2.26	-1.79	9.73
IA SBBI US LT Govt Infl Adj TR USD	132	-2.97	-2.48	9.88

Cheers

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