



Nine statistics every investor should know for the new year

Jonathan Durocher
President
National Bank Financial – Wealth Management

Focus on statistics that help prepare, not predict

At the start of every year, investors are bombarded with a flurry of statistics and predictions. While forecasts about the year ahead are inevitable, statistics do a much better job of preparing investors for the future.

The reason is simple: predictions focus on outcomes, whereas preparation prioritizes processes. Most important, predictions aim to be right, while preparation cultivates the right mindset.

To that end, here are nine statistics pulled from Refinitiv data advisors should use to help prepare their investor clients for 2025 – and any other year, for that matter.

1. Historical Average Odds of a Positive Year for the TSX are 73 per cent

Since 1957, historical data show that the S&P/TSX Composite Index has delivered positive annual returns 73 per cent of the time.

This statistic helps investors understand why we should take an optimistic approach to investing.

Advisors can leverage this data point to instil confidence in hesitant investors, emphasizing that while individual years may vary, the market tends to go up more than it goes down.

2. Historical Average Odds of a Negative Year for the TSX are 27 per cent

Conversely, the S&P/TSX Composite Index has seen negative annual returns in 27 per cent of the years from 1957 through 2023.

Although this figure is considerably smaller, it serves as a reminder that having a full negative year is very much possible.

Advisors can use this data point to stress the fact that investing is not as much about your actions as it is about your reactions – especially in down markets.

3. The TSX's Historical Average Annual Performance is 10 per cent Growth

Over the long term, the S&P/TSX Composite Index has delivered an average annual return of 10 per cent, including dividends.

Advisors can leverage this statistic to highlight the advantages of embracing market risk over risk-free investments, which historically offer lower returns.

4. Average Annual Performance in Positive Years is 18 per cent Growth

Looking only at years when the S&P/TSX Composite Index delivers positive returns, the average gain is 18 per cent.

Wealth advisors can use this statistic to illustrate the market's tendency for extremes, with significant highs and lows that deviate far from the average return.

They can also use it to remind investors that staying invested during an upward market can be psychologically challenging, as it often feels like a downturn is just around the corner.

5. Average Annual Decline in Negative Years is 9.8 per cent

During negative years for the S&P/TSX Composite Index, the average decline is 9.8 per cent. While losses are never desirable, this statistic illustrates that the downside risk in most years is manageable compared with the upside potential.

This insight underscores the value of maintaining a disciplined approach during market corrections rather than attempting to time the market.

6. Odds of a 10 per cent (or worse) Drawdown in a Year is 60 per cent

Investors face a 60 per cent chance of experiencing a 10 per cent drawdown (or worse) with the S&P/TSX Composite Index in any given year.

This statistic underscores the need for advisors to prepare their clients for inevitable market downturn as it happens often.

By setting realistic expectations and emphasizing the importance of resilience, advisors can help clients avoid panic during temporary setbacks.

7. Odds of Recession in a Year are 14 per cent

According to the C.D. Howe Institute, since 1929, the Canadian economy has experienced a recession in only 14 per cent of years.

Because recessions are relatively rare, advisors need to help investors prepare for them, as the natural tendency is often to overreact when one occurs.

Advisors can also emphasize that the stock market and the economy are not the same; there have been years when markets posted gains despite the economy being in a recession.

8. Odds of a New All-Time High in a Year for the TSX are 5 per cent

The probability of the S&P/TSX Composite Index reaching a new all-time high in any given year stands at only 5 per cent.

While that may seem low, it's a reminder of the unpredictability of major market milestones.

Advisors can use this statistic to encourage investors to focus on long-term objectives rather than chasing fleeting peaks.

9. Odds of Beating Inflation in a Year for the TSX are 66 per cent

Since inception, the S&P/TSX Composite Index's growth has outpaced inflation in two-thirds of the years.

With inflationary pressures being a concern for many investors, this statistic highlights the importance of investing in equities to preserve and grow purchasing power over time.

Advisors should emphasize the need for assets that can provide real returns, particularly in inflationary environments.

Conclusion

Let's conclude this piece with an important disclaimer: There's no such thing as an "average market," as every calendar year comes with its own unique story and risks.

That's why great advisors remind their clients that long-term returns are simply the cumulative result of many short-term outcomes, reflecting how life itself often unfolds.

Source: Refinitiv from 1957 to 2023

This article was published in the Globe & Mail on January 9, 2025.



**NATIONAL BANK
FINANCIAL**

WEALTH MANAGEMENT

National Bank Financial - Wealth Management (NBFWM) is a division of National Bank Financial Inc. (NBF), as well as a trademark owned by National Bank of Canada (NBC) that is used under license by NBF. NBF is a member of the Canadian Investment Regulatory Organization (CIRO) and the Canadian Investor Protection Fund (CIPF), and is a wholly-owned subsidiary of NBC, a public company listed on the Toronto Stock Exchange (TSX: NA).

The information and the data supplied, including those supplied by third parties, are considered accurate at the time of their publication and were obtained from sources which we considered reliable. This information and data are supplied as informative content only. No representation or guarantee, explicit or implicit, is made as for the exactness, the quality and the complete character of this information and these data. The opinions expressed are not to be construed as solicitation or offer to buy or sell shares and should not be considered as recommendations on the part of National Bank Investments Inc and National Bank Financial Wealth Management. Past returns do not guarantee future returns. Please talk to your advisor.

