



## HISTORY SUGGESTS INVESTORS SET TO BENEFIT FROM POSITIVE DECADE FOR STOCKS, SAYS FIDELITY INTERNATIONAL

- **Mean reversion theory suggests positive outlook for stocks in next decade**
- **Reasonable valuation levels support growth prediction**

**London, 12 January 2010** – Following one of the worst decades on record for stocks with real and nominal returns in negative territory, research from Fidelity International suggests the next 10 years are set to be positive.

**Trevor Greetham, Director of Asset Allocation and Manager of Fidelity's Multi Asset Funds**, compared the last decade to periods of comparable weakness, in real terms, including the two World Wars, the Great Depression and the inflationary 1970s.

He identified that mean reversion, the phenomenon whereby a variable quantity tends to return towards its average value over time, despite fluctuations above and below the average value, applied in each case.

Greetham says: "Returns in the 10 years after a 'lost decade', defined as any ten year period in which US equity returns were below the rate of inflation, average out at a healthy +11% per annum in real terms\*. On a 10 year view, valuation is the key factor. Stocks were outrageously expensive in January 2000 with an MSCI World price to book ratio of 4.2x. We're currently trading at 1.8x after hitting 1.2x in March 2009. The average since 1975 is 2.1x."

Greetham says while 2008 was one of the worst years for stocks in the last century, 2009 was among the best and this may set the tone for a period of stronger returns. He says: "Risky assets of all types rallied strongly in response to aggressive monetary and fiscal ease. Stocks rose 36%, Property 38% and Commodities 19%\*\*", but all three are still well down on their early 2008 levels.

"Within stocks, there was tremendous dispersion both at the regional and sector level. At the extremes, emerging market equities rose 83% over the year, whereas Japan posted a very disappointing 6% return in US dollar terms\*\*\*.



"The global sector leaders were Basic Materials, returning 75%, and Technology at 60%\*\*\*\*. Utilities, Telecoms and Health Care lagged badly while Financials managed to end the year bang in line with the market despite their first quarter plunge. Government Bonds returned a mere 2% in 2009, despite massive quantitative easing purchase programmes and ultra-low central bank rates. In this kind of environment it doesn't pay to be too defensive."

**- ENDS -**

**Notes to editors:**

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\* Source: Fidelity analysis, January 2010. \*\* Source: Datastream; Global Asset Markets over 2008 & 2009. \*\*\* Source: FTSE International, JP Morgan, Datastream, Dow Jones UBS total returns; 6 January 2010. \*\*\*\* Source: FTSE World Indices total return; 4 January 2010.

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