The Inverted Casino

Sometimes it’s helpful to take a step back and look at the big picture, and that is probably more true about investing than any other aspect of our lives. The ‘little’ picture is what happened yesterday, or last week, or the first or second quarters of the year. The big picture is something quite remarkable: the long-term trajectory of stock values, which are the result of millions of people coming to work every day to add value, incrementally, day by day, to their companies.

The chart shown here not only gives you the big picture of returns since the 1920s—the result of all that labor—but also shows, in the gray vertical bars, how few downturns we have experienced compared with times when the markets were rising. Investing in the U.S. stock market is like putting money down in a casino where the odds of winning, over time, greatly exceed the potential for losses.

Focusing on the ‘little’ picture is natural and normal—and also tends to lead to making decisions that are not ideal in the long run. If you walk into a casino where the odds are in your favor, a short run of bad luck shouldn’t discourage you from continuing to play.

Source:

<https://www.macrotrends.net/2324/sp-500-historical-chart-data>