Consumer confidence and the stock market

This week's Data insight highlights the risk and reward of investing in equity markets when consumer confidence is low. The below chart is the consumer sentiment index and the subsequent 12-month S&P 500 returns. According to JP Morgan, on average the S&P 500 returned just under 4% in the next 12 months if you invested when consumer sentiment was at its peak. Conversely, if you invested when consumer sentiment was it its lowest point over the past 50 years, your average return would equate to 24.1%. This is six times the return, simply for investing when people are sceptical of market conditions. Just for context, out of the 9 sentiment troughs, or lowest points, 5 took place during recessionary periods. This highlights that the time to invest in the stock market does not always have to be linked to recessions.

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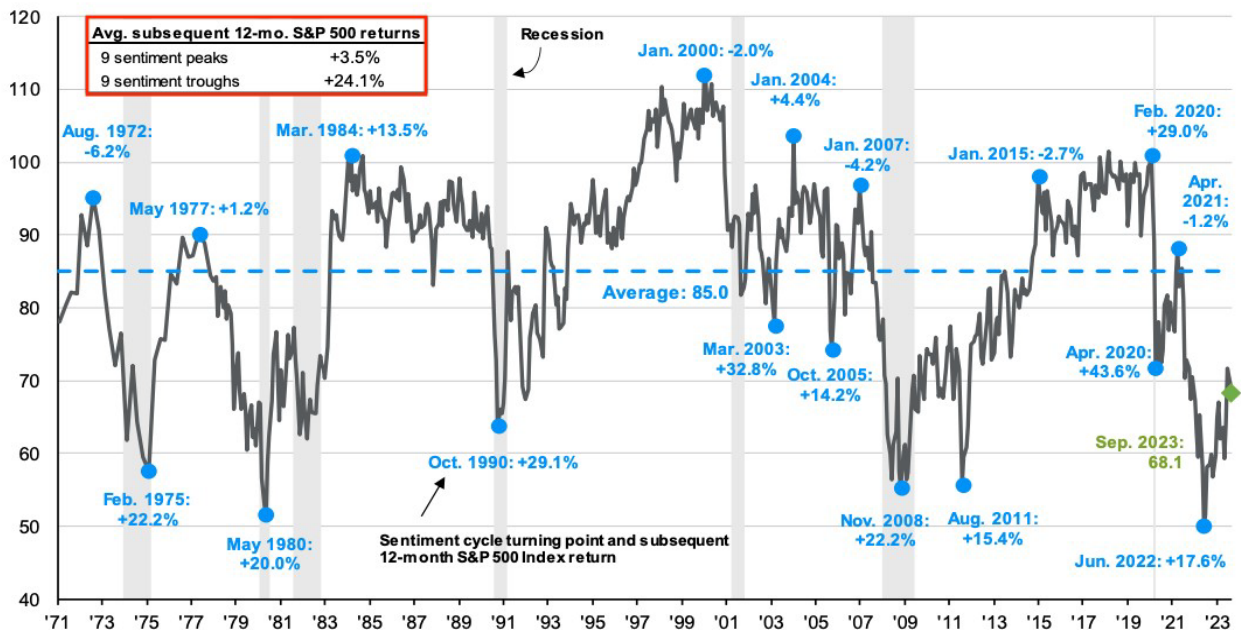
Consumer Sentiment Index and subsequent 12-month S&P 500 returns



Source: FactSet, Standard & Poor's, University of Michigan, J.P. Morgan Asset Management.
Peak is defined as the highest index value before a series of lower lows, while a trough is defined as the lowest index value before a series of higher highs. Subsequent 12-month S&P 500 returns are price returns only starting from the end of the month and excluding dividends. Past performance is not a reliable indicator of current and future results.
Guide to the Markets – U.S. Data are as of September 30, 2023.

J.P.Morgan

Source: J.P Morgan