
Why I'll Always Be Optimistic About the Market

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It's hard to believe we're approaching the end of the second year of this global pandemic. Despite the pain and loss endured by so many all over the world, I hope some positive changes have come from the shock we've all been forced to experience. As we look forward to 2022, despite continued uncertainty, I'm feeling a sense of educated optimism that's stronger than ever before. Why? Because over the past two years, my beliefs have been tested more than ever. And they've held up.

At the start of 2020, before we knew the extent of the global pandemic we were headed toward, I reminded investors that [the market has no memory](#) and encouraged them to avoid making forecasts and timing markets based on predictions of the future.

A few months later, I thought that [human ingenuity would lead our way through the crisis](#). It has. I didn't know when a vaccine would be available or who would make it, but I never doubted the power of so many great minds focusing on one huge problem.

When we were in the midst of March 2020 and the S&P 500 was down 20%, it was scary.¹ I wrote then that [we can't control crises](#), but we can control our response to them. Those who could stay in the market were rewarded. Over the next 12 months, the S&P went up 56%.²

When you're entrusted with investors' hard-earned money, as we are at Dimensional, it's gratifying to see that the choices you make can lead to good outcomes.

So now we find ourselves at the doorstep of 2022, and we've just seen the S&P 500 hit record highs—again. But not all investors perceive this as good news. Record highs make many people nervous, because they think that what goes up must come down. When markets are working as they should, reaching record highs with some frequency is exactly the outcome we would expect. That makes intuitive sense, because if stocks didn't have a positive expected return, no one would invest in them.

This brings me to why I'm always optimistic about the power of markets, and why I always bet with them rather than against them: Markets represent people coming together. We can't predict the nature or timing of a crisis, but we can bank on human ingenuity finding a path through it. Markets are forward-looking and reflect this optimism—an optimism

that I believe is innate to humanity. And your optimism only increases when you begin to understand how markets work.

How we deal with uncertainty is the central challenge of human existence. We are defined by the choices we make, but we never have all the information we want. So what do we do?

It pays to have a philosophy to guide our choices, in investing, and in life. In conversations with investors over the years, I've explained my philosophy about markets in different ways, but what all these descriptions have in common is choosing to side with human ingenuity rather than against it. Betting against the market is exhausting, and we believe that it doesn't pay.

So at the end of every year, we look back and forward. What do we think the next year will bring? I don't know. No one does. Think about it: *No one does*. After these last two years, this lesson should be obvious to all of us.

But for the past 50 years, I have held a long-term faith in the power of markets. When they go up or down, I see them simply responding to new information. The market always wants buyers and sellers to make a deal. Transactions only happen if people agree on a price that seems fair to both sides.

In 2022, new challenges await. New businesses will grow. Old ones will adapt. Some will fail, while others flourish. Rather than having to guess what will happen to whom and when, I choose a different path. I invest in the market. It is a unique human invention. From it flows our modern life. Most of us live in a world where we go to the store or pick up our phones and see choices I could not have imagined as a boy. So, of course, I am optimistic.

And, of course, there is more work to be done. The problems we face as humans are daunting. That has always been true. I was born at the end of World War II and before a vaccine for polio. I wake up every morning believing the market will go up a little but prepared for if it drops. And you should too. Markets will go up and down, but you should expect them to be positive, and that is what history has also shown. If you can hold this in your heart, you can be optimistic and resilient, you can manage the central challenge of human existence. It's hard to do. But it's worth it.

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1. S&P data © 2021 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Indices are not available for direct investment. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment. Decrease of 19.6% was from Jan. 1, 2020–March 31, 2020. Increase of 56.35% was from March 31, 2020–March 31, 2021.
 2. Past performance is no guarantee of future results.

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