



# Equities

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## Equity Market Focus: Interrogating the Historical Data

### Understanding Return Expectations, Part 5

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Historical average returns can be useful estimates of future expected returns (only) if expected returns are constant and the sample is unbiased. Historically, US equities have delivered strong real returns over the long run, but future prospects are lower. A decomposition of S&P 500 returns into yield, growth, and valuation change effects is instructive. The most relevant predictor, equity market's starting yield, is historically low, while the less sustainable contributions of growth and repricing have risen in recent decades.

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