

## Eight forecasts of annual Real Returns rates for Stocks

Company	> Ten to 30 years	Next 5 to 10 years	Report or display	Comment
Blackrock	5.2%	4.1%	<a href="#">Display</a>	Display dated May, 2021 predicts 7.3% nominal average return for US stocks over 30 years. Predicts 6.2% nominal return per year over next five: the 6.2% includes -3.3 percentage points adjustment in in return because stocks are over-valued. That has an effect on the 30-year forecast, but I did not adjust for that. Predicts 2.6% nominal return for bonds: -.6% real return over next 30 years. I adjusted nominal assuming 2% inflation.
Grantham Mayo Van Otterloo	na	-7.80%	<a href="#">Display</a>	Display dated May, 2021 forecasts real return for US stocks for next seven years. No long-term forecast. The -7.8% real return rate would be the worst seven-year return period for stocks in history. Forecasts -2.6% per year real return for bonds for next seven years.
JP Morgan	5.0%	2.1%	<a href="#">Report</a>	123 page report, September 2020, for "2021 Long-Term Capital Market Assumptions." Predicts 7.1% nominal return rate for stocks. I modified their projection of 4.1% nominal return over 10-15 years (page 82) by adding back their 3.0 percentage point annual deficit that reflects their view adjust that stocks are overvalued. Report assumes 2% inflation. Forecasts bonds at 3% nominal (page 72) or 1% real return/year.
Morgan Stanley	5.8%	2.8%	<a href="#">Report</a>	27 page report dated March, 2021. 20-year return projections for stocks are on Exhibit 22, page 17. Nominal over 20 years is 7.9% for US stocks. 4% nominal over the next 7 years. Report assumes 1.8% inflation. Predicts US bonds at 3.4% nominal or 1.6% real.
Morningstar	<5%?	-0.7%	No public link	51 page report dated March, 2021."Morningstar Markets Observer." I had to sign in on site to get link to the report. Displays 10-year returns for stocks on page 12 at 1.3% nominal return, including an assumption for price correction that is not spelled out. States later that US stocks are overvalued by 11% at end of March. Forecasts aggregate US bonds at 1.8% nominal or -.2% real over next 10 years.
Research Affiliates	<<5%?	-0.8%	<a href="#">Display</a>	- Data displayed as of May, 2021. Next decade only; not long term. Forecasts 2.6% real return for stocks before -3.4 percentage point adjustment from judgment that stocks are overvalued. F'casts Intermediate bonds at -1.2% real return over next 10 years. - A separate report on methodology states they build model of what drives future growth and inputs assumptions for these factors. Major inputs are cash return rate to investors – dividends + cash returned as buy back of shares – and growth. Report gives no details on the inputs assumed. - In late 2016 the report predicted 0% probability for a portfolio 60%S and 40%B to earn 5% real return in the next 10 years. A 60-40 portfolio has earned 11% real return for the 4½ years 2017 through 2021 YTD.
Schwab	na	4.5%	<a href="#">Summary</a>	Summary article, May 2021. Not a report: "Why Market Returns May Be Lower ..." Forecast for next decade is 4.5% real return for Large Cap stocks and 5.0% for small cap stocks. Stocks are over-valued but it is not clear as to how much that is lowering the total real return. A driver of lower long-run returns is lower economic growth: forecast is 2.3% real growth vs. 3.1% real growth since 1948. Forecasts 3.5% real return for bonds.
Vanguard	5.80%	2.90%	<a href="#">Report</a>	46 page report in December 2020. Forecasts for next decade, not beyond. Forecast (page 39) is 4.7% nominal return for US stocks. This includes 2.2 points penalty/year because stocks are over valued. Assumes ~1.7% inflation. 4.7% nominal = 2.9% real. Forecasts bonds at ~1.7% nominal (page 40) or 0% real return. I added back the 2.2 points penalty to get what I think is their long run prediction for stocks = 7.9% nominal and adjusted that by 2% inflation.

I adjusted nominal return projections by 2% inflation if the study did not state an assumption for inflation.

Tom Canfield, *Nest Egg Care*. July 1, 2021