

Milestones

Financial markets witnessed another milestone this past week as the Dow Jones Industrial Average (“DJIA”) crossed 50,000 for the first time in the DJIA’s 129-year history. Reaching the 50,000 price-level is equally rare among individual stocks. Of the 19,453 common stocks currently trading on U.S. markets, only 8 have a price of 50,000 or more. Once reached, some milestones never are seen again from either favorable or unfavorable outcomes. Milestone values for market indexes likely have good odds of being surpassed given the very nature of indexes and their construction itself. For individual stocks, surpassing prior milestones likely requires sustained improvement in such measures as growth and productivity. Market milestones certainly are to be assessed for how they were achieved and the implications for market direction yet ahead.

Q PERSPECTIVE

The price trend of the DJIA over the past decade shows familiar advances and declines. Reaching the recent 50,000 milestone, as shown in [Chart I](#), was notable as it took only 1.7 years. The relatively short horizon to reach the 40,000 milestone was notable as well. The 30,000 milestone was last crossed over in December 2020 after having reached that level several times previously. While the DJIA experienced several milestones within a decade, the main takeaway is the prevalence of a strong bull market over the entire period. Meaningful market corrections occurred along the way, but the end result was a decade of notable gain.

The price history of Bitcoin (“BTC-USD”), as captured in [Chart II](#), is one of an investment that rose from less than 500 to 50,000 in less than a decade. This is a far cry from the time required of DJIA to reach the same milestone. In the subsequent five years, BTC-USD reached a price level that was a staggering 2.5 times the 50,000 milestone. From that lofty price level, BTC-USD declined a full 50%. The earlier, volatile price pattern reflected a high level of uncertainty over the staying power of this new technology. Additional uncertainty in recent years reflects the potential impact of regulation on a technology yet to be fully tested.

Berkshire Hathaway Class A (“BRK.A”) is a well-known stock associated with Warren Buffett. Its price trend over the past decade is shown in [Chart III](#). Its 50,000 milestone was exceeded long ago. Its subsequent performance has surpassed most stocks trading in the U.S. BRK.A is one of five stocks trading in U.S. markets with a price greater than 50,000. Its current price is 15 times that milestone. As the stock price moved ever-higher, it reached a level no longer affordable to most individual investors. This prompted the company to create a second share class, BRK.B, with a much lower price point to BRK.A. This has been a very popular development for markets and investors.

INVESTMENT IMPLICATIONS

Market milestones for either indexes or individual stocks may have limited value for setting investment strategy. They can prove useful as they are reached by some investments and not by others. The variance in risk and return patterns may be useful. A stock that reaches a significant milestone in half the time of another stock may be displaying a risk level acceptable to some investors and not to others. The most important milestones for all investors are the portfolio values that will support their investment goals and the manner in which those values are reached. Milestones can help assess the investment process.

CHART I

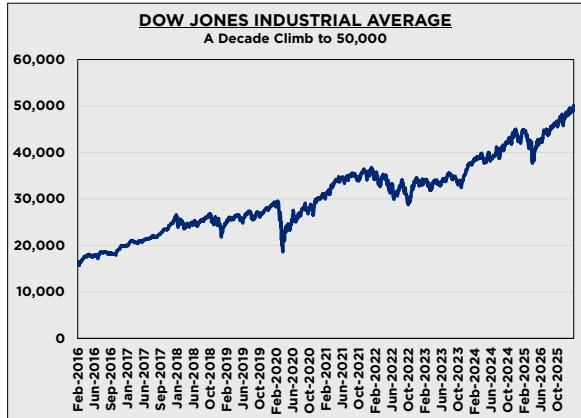


CHART II

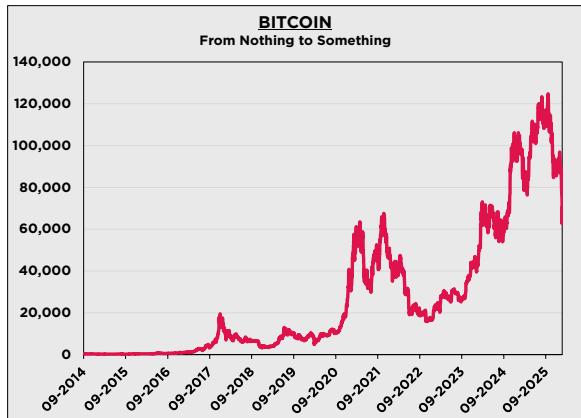


CHART III

