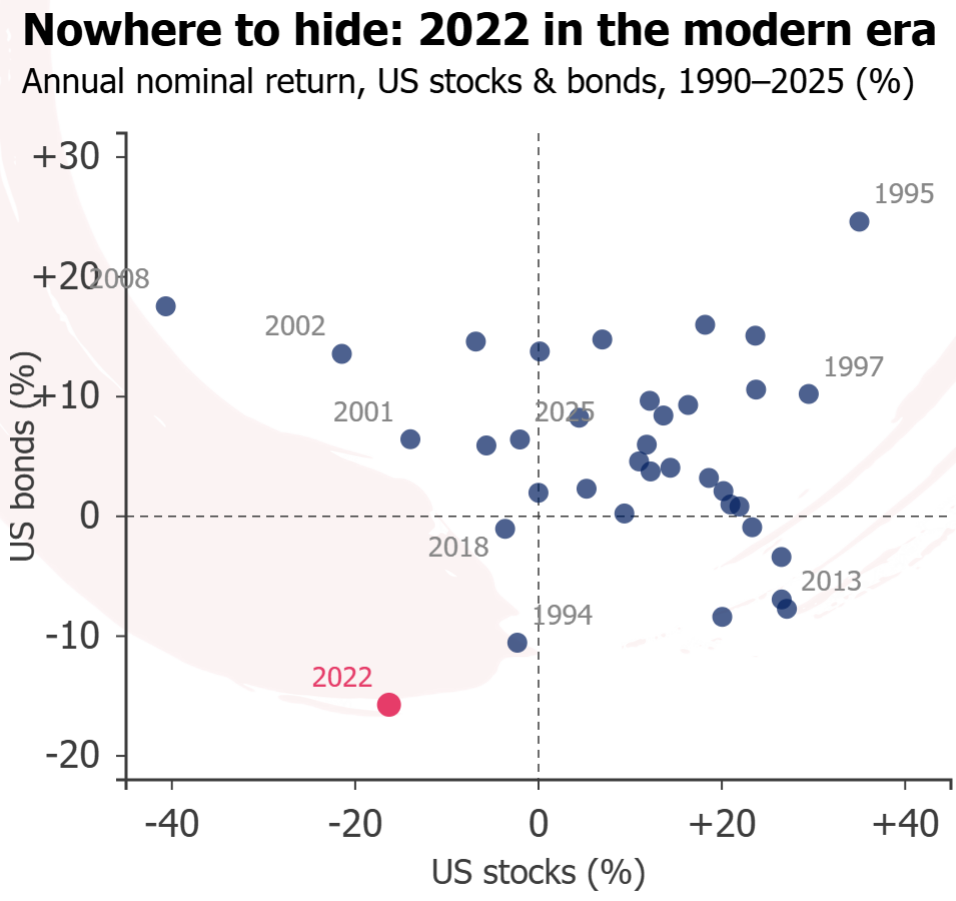
Matt King · 16 March 2026

Nowhere to hide — but not for the first time

- **Extending the stock/bond scatter back to 1900 reveals six double-negative years, not just 2022; but 2022 remains by far the worst on the bond axis.**
- **The gold standard era means gold returns were essentially flat for fifty years, with one dramatic exception: the 1933–34 Roosevelt devaluation, precisely during the Depression.**
- **Even so, a 20% gold allocation in the portfolio since 1920 would have halved the worst-case drawdown versus 60/40, largely by offsetting inflationary episodes when both stocks and bonds struggled.**

1 — Katie Martin's chart, replicated

Katie Martin's *Unhedged* newsletter on 16 March 2026 contained a scatter plot showing annual nominal returns for US stocks and bonds since 1990, with 2022 highlighted as the only year of simultaneous double-digit losses in both asset classes. The chart below replicates this using Shiller data (S&P 500 price returns; bond returns approximated from 10-year Treasury yields using duration ~8).



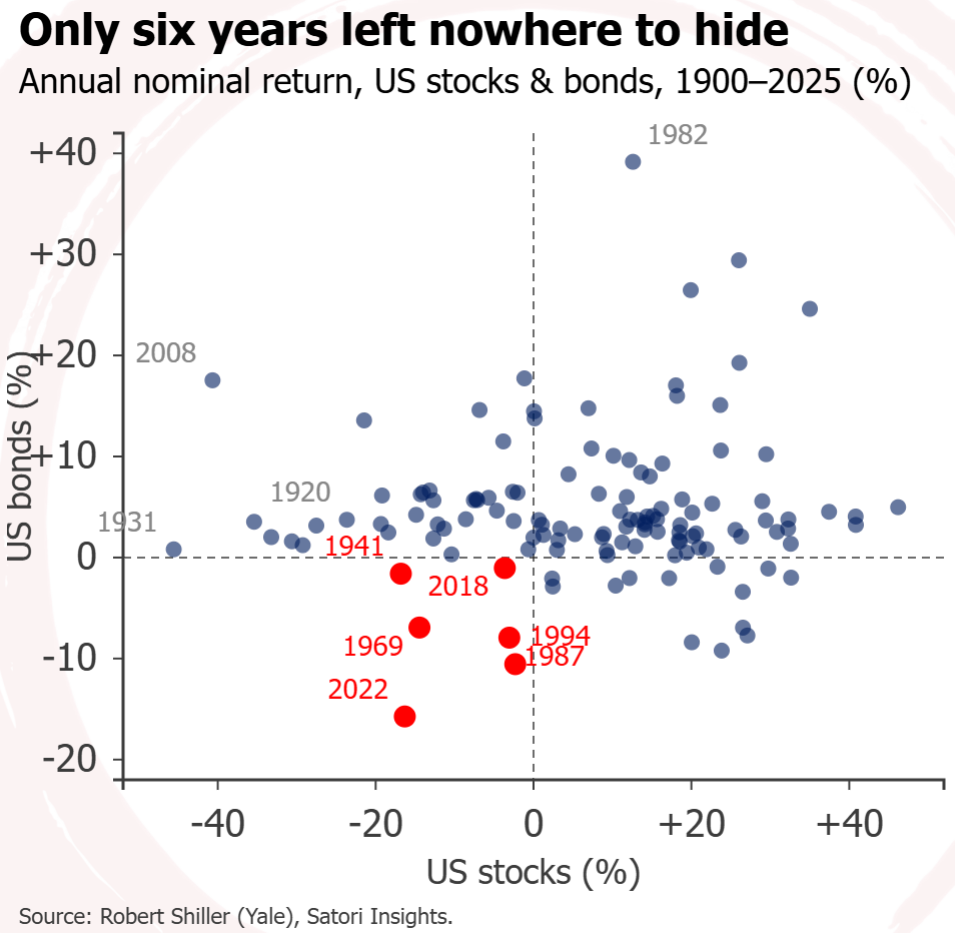
Source: Robert Shiller (Yale), Satori Insights.

2 — Extended to 1900: seven years, not one

Extending back to 1900 reveals a richer picture. There have been **6 years** since 1900 when both stocks and bonds delivered negative nominal returns: 1941, 1969, 1987, 1994, 2018, 2022. That is roughly one every fifteen years — an occasional hazard of the normal investment cycle, not an unprecedented event.

2022 remains distinctive in one critical respect: the bond losses were far larger than in any previous double-negative episode. In 1969, 1987, 1994, and 2018, bond losses were modest (−1 to −11%). In 2022 they reached −16%, combined with equity losses of a similar scale. It was the severity, not the co-occurrence, that was historically unusual.

The chart also illustrates two other structural features. First, the frequency of the upper-left quadrant (bonds up, stocks down): 2008, 2002, and 2001 all show bonds providing genuine cushion, which is the core 60/40 premise. Second, 1982 stands out as the best bond year in the dataset (+39%), coinciding with the post-Volcker rate collapse — and a mediocre year for stocks.



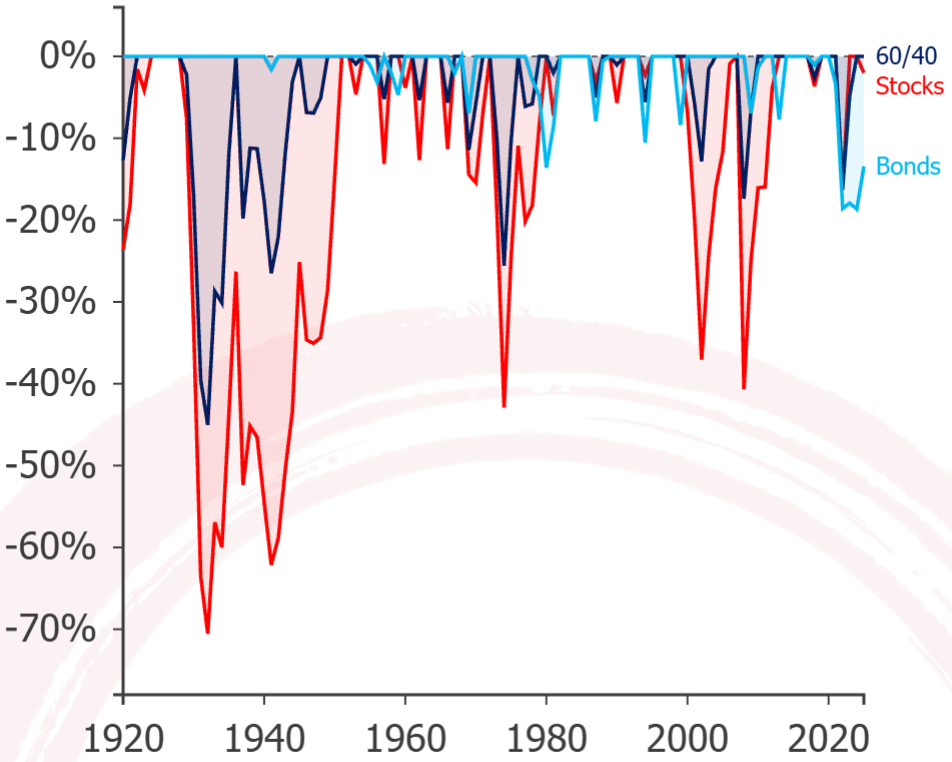
Source: Robert Shiller (Yale), Satori Insights.

3 — Portfolio drawdowns without gold

Before considering gold, it is worth reviewing the full drawdown history for stocks, bonds, and a 60/40 blend from 1920, which includes the Great Depression. The scale of equity losses in 1929–32 (over 70%) and the inadequacy of bonds as a cushion in the 1930s are sobering. Even a 60/40 blend suffered drawdowns approaching 50% in the Depression — only partially offset by the bond rally of the late 1930s.

Bonds provided ballast — until recently

Max drawdown from cumulative nominal returns, 1920–2025 (%)

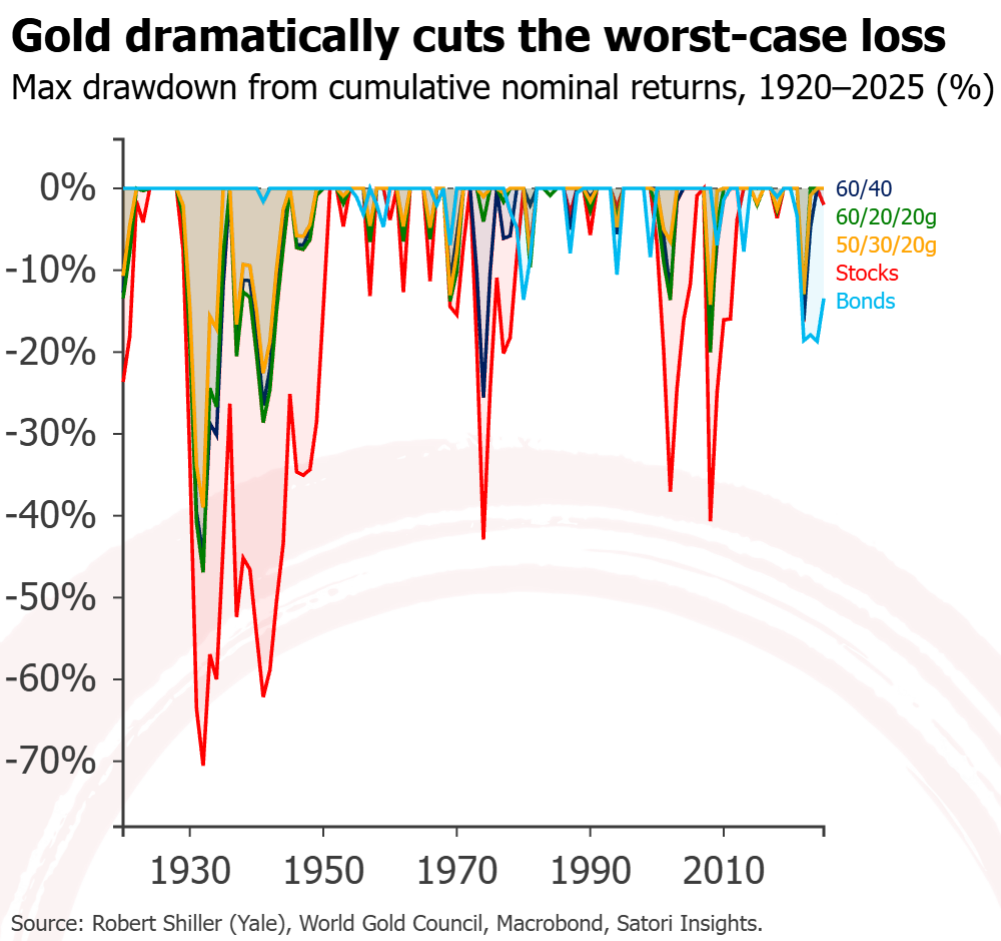


Source: Robert Shiller (Yale), Satori Insights.

4 — The impact of gold

The Macrobond series `wocaes0812` (World Gold Council) provides gold prices going back well before the 1968 start of most standard series. This matters because gold's behaviour under the gold standard (1920–1933) is distinct: the price was fixed at US$20.67/oz, producing zero annual returns — except in 1933–34, when Roosevelt's devaluation produced a one-off gain of nearly 70%. That is precisely when the Depression was at its worst, which is exactly when such a return was most valuable.

After 1971, when Bretton Woods ended and gold traded freely, the pattern shifts: gold proved a strong diversifier in the inflationary 1970s, performed poorly during the disinflationary 1980s and 1990s, and reasserted itself in the 2000s and again in 2020–25.



The numerical impact is large:

Portfolio	Worst nominal drawdown (1920–2025)	vs 60/40
Stocks only (100%)	-70.5%	—
60/40 blend	-45.0%	baseline
60/20/20 gold (half of bonds replaced)	-46.9%	-1.9pp
50/30/20 gold (¼ stocks + ¼ bonds replaced)	**-39.0%**	**+6.0pp**
Bonds only (100%)	-18.7%	—

The improvement is not uniform across time. It is concentrated in two episodes: the early 1930s (where the devaluation jump materially cushioned Depression losses) and the 1970s (where gold's inflation-hedge properties worked as intended). In the 2000s and 2008–09, gold added limited value because those crises were deflationary in nature and bonds served as the primary safe asset.

The forward-looking question is which type of crisis scenario is most relevant. If the dominant risk is a stagflationary episode — supply shocks, fiscal excess, late-cycle monetary tightening, or currency instability — then history argues clearly for a meaningful gold allocation. If the dominant risk is a recessionary credit crunch, the traditional 60/40 logic holds and gold is largely redundant.

Data and methodology. Stock returns are S&P 500 annual price returns (no dividends) from Shiller's *Irrational Exuberance* dataset (Yale); data from 2023 onwards supplemented with publicly available year-end prices. Bond returns are approximated from year-end 10-year US Treasury yields (Shiller GS10 series): $TR \approx y_{start} - 8 \times \Delta y$ (duration assumption: 8 years). The equivalent Macrobond series for Aaa corporate yields with longer history is **usrate0232**. Gold prices: year-end USD/oz from World Gold Council (Macrobond: **wocaes0812**, fused to Bloomberg **ih:bl:xauusd curncy** using Macrobond's `joinmorehistory()` function for recent data). Pre-1933: US gold standard at $20.67/oz. 1933: open-

market London price ~$34.84 (anticipating the Gold Reserve Act). 1934–1971: US official price $35.00/oz. Post-1971: free market. All returns are nominal. Drawdown series computed on cumulative return indices rebased to 100 at 1 January 1920.

Financial market enlightenment

© Satori Insights Limited 2026 · UK Company Registration Number 15056665