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## Alternative Energy Stock Returns, Past and Future

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Alternative energy became a serious market player after the turn of the millennium. Since that time, solar, wind, smart grid and other alternative energy stocks have experienced both strong up and down trends. The forces at work driving these markets are complex, ....

The Wilder Hill New Global Index (NEX) is a fitting proxy to track overall alternative energy markets. This index contains companies that "*focus on generation and use of cleaner energy, conservation and efficiency, and advancing renewable energy generally.*" The chart at right shows some of the clear trends the alternative energy sector has had in the recent past.

The first down channel on the chart coincides with a general stock market slump. This drop started during the eight month recession ... March 2001.

By 2003, alternative energy stocks started to turn around. This marked the beginning of a fantastic five year run, as investors started noticing wind power and photovoltaics were becoming economically viable alternatives to traditional electric generation. Annualized returns in this five year period averaged a remarkable 38%!

The *Great Recession* then hit in December 2007, just as alternative energy stocks appeared to be ascending into nosebleed territory. As a result, prices came crashing down a painful 71% in about a year. This outstripped the distressing declines the stock market in general had at that time.

After this crash, no clear trend emerged until the end of 2012, when the next up-channel started. At that time, investors felt that alternative energy stock prices better reflected the economic realities of underlying business, and started buying again. There is likely another reason, though, that it took five years for alternative energy markets to recover. Psychologically, after getting severely burned in the crash of 2008, it took a long time for investors to feel comfortable dipping their toes back in the water.

Following the uptrend that went from 2012 to the beginning of 2014, there was a noteworthy giveback. The NEX fell 21% in about nine and a half months. Much of that giveback has been regained. It remains to be seen if the current trend will continue to be positive, or if we have entered into a sideways market.

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