Can You Make Money in a Flat Market?

Yes, you can. Although the gains for the S&P 500 over many decades past have averaged about 10%, that includes gains and losses in some years that are a multiple of that rate. So a target of about 10% would be reasonably achievable for a long-term investor, but the long term would mean at least three to five years and probably longer.

Indeed, along the way it has not been uncommon to have years with gains greater than 20% and not that long ago (remember 2001-2 and 2008-9?), we suffered painful pullbacks. That kind of volatility is part of the program. Those are the prices we pay for the potential rewards available.

But let's say the market moves sideways for an extended period. Does that mean there's no money to be made. For one thing, assuming interest rates are stable, moderate returns would be available in various parts of the fixed-income market. If one assumes a tolerable level of risk, exchange-traded funds holding short- to intermediate-term high yield bonds could provide a return in the mid single digits.

At times when closed-end bond funds are selling at deep discounts, they provide another option for worthwhile returns.

On the equity side, there are always companies that are growing more rapidly than the average. For the S&P 500 companies, a typical growth rate is about 7%. Yet there are more than a few companies within that universe that are growing steadily in the low double digits. It would not be unreasonable to expect that the prices of those companies' shares will reflect the underlying gains. Add to that a dividend yield of 2% and you end up with an investment that's worth considering even if the overall environment is doing little better than marking time.

In addition to companies that are average, there are also some that are above average and some that are below average. When you identify those with the best credentials, it's likely that you'll continue to move ahead even if most others are going nowhere fast.