

December 28, 2017

Riding a Great Bull Market for Stocks

As 2017 draws to a close, I wanted to touch again on an important investment theme I have been writing about and reiterating to all my clients (and prospective clients) since 2013. This is a powerful investment theme that is a positive for all investors who own stocks. *The theme is this:* in 2013, in my view, we officially began a major, long term secular bull (up) market for stocks, especially U.S. stocks. This powerful, bull up trend crystalized when the S&P 500 Index, the world's most important stock market index, broke through the previous "top" zone from March 2000 and October 2007 at around 1565. Today, we sit just under 2700 on the S&P 500 Index.

Our chief investment strategist, Jeffrey Saut, has written extensively about the birth of this new, long term secular bull market. Jeff measures the 'birth of the bull' from the secular bear market bottom in late 2008 and early 2009. He points out that the average secular bull lasts 16 to 18 years on average. So even if you measure from the 2008/09 low, we still have roughly another decade left in this bull market if history is our guide! I happen to think this bull will last longer than that historical precedent or average simply because the global & U.S. economy was stuck near zero growth for much of 2011-2012 and only began to gather even modest economic momentum in 2013.

I have included Jeffrey Saut's latest ["A History Lesson"](#) piece dated December 18, 2017 as a PDF detailing the alternating secular bull and bear markets going back a century. I strongly urge all investors to read this piece.

During the late 2015-2016 correction in stocks (the S&P 500 fell just over 20% from mid-2015 peak to February 2016 low), I told clients then in no uncertain terms that the modest profit and stock price pullback would be over relatively quickly and the secular bull market would re-assert itself and continue to march to higher levels. This is exactly what happened, with the S&P 500 flirting with 1830-1900 zone several times during the 2015-2016 correction period but NOT breaking the major 2009 to present cyclical uptrend. Today, the S&P 500 sits just under 2700, a roughly +45% gain in a year and a half from the 2016 low!

Once these powerful secular bull markets get going, they continue for a long time and do not expire due to garden variety corrections or down cycles. Jeff details this by examining the 1982-2000 secular bull which continued unabated after the -22% one day market crash in 1987 and the 1990 recession.

This secular bull is our great ally, helping all disciplined and focused investors to build wealth. Investors that understand this will not be shaken out of stocks during the next correction or even recession.

That is the clear lesson of investment history. Ride the bull. It's going to be around for some time yet.

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