

August 22, 2018

Good Morning,

Today marks a significant milestone for stocks as the current bull market is now the longest running in history – 9 ½ years and counting. The media will be touting this message loudly. But let's put things in perspective. A new bull market can only start after a bear market, which is defined by a 20 percent drop in price from the high point. So, we have not had a 20% pull back since March 2009. We have, however, had multiple declines of 10% or more in that timeframe, including in January/February of this year.

The last two bear markets have been rough and many investors are still quite timid due to their experiences. The S&P 500 Index peaked in March 2000 before dropping sharply to the lows of September 2002. It took that index 7 ½ years to recover to the March 2000 level (October 2007) before the next bear market – and the Great Recession – started and bottomed in March 2009. It took another 5 ½ years to recover those losses (April 2013) and at that point the S&P 500 Index had returned essentially zero growth for those 13 years. Remember that?

When we discuss this 9 ½ year bull market, it is important to remember that the first 5 ½ years were spent just getting back to the March 2000 level in the S&P 500 Index. While stock prices are somewhat overvalued today, it's likely stocks will continue to climb. Unlike 2007, we are not facing a financial system crisis. Economic growth is solid, employment is strong, inflation is still under control, interest rates are still near historic lows and corporate profits are very solid and growing. Yes, there will be an eventual recession and another bear market, but for now, this bull strolls on.

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http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Have a great week,

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