

# PHASES & CYCLES®

## IS IT A BULL OR A BEAR?

As 2021 was ending, investors were elated about participating in a rising market. Although not convinced that it was a bull market, they were happy to see their portfolios getting more valuable. They stayed positive for a while, but as interest rates started rising, they lost their enthusiasm and returned to the bearish masses. Then, as the S&P 500 (SPX) declined over 20%, the prognosticators and the newspaper mavens became fully bearish, believing that a number (such as -20%) gave them a magic forecasting power.

When the markets turned up in October 2022, most stayed bearish. Only as the markets rose over 20% (the magic number again!) did they become less bearish, but still not bullish. (It seems that this number has magic power if the market is falling, but not if it is rising.) Hence, they missed not only the top, but also the bottom and now, even though the SPX has gained 27.6% since October, we see very few bullish articles, if any.

How did our Market Comments handle this difficult period? The January 13<sup>th</sup>, 2022, issue suggested that the markets arrived at a cycle high at the end of 2021, four years after the previous market high in 2018. The "4-year cycle" has been

occurring regularly for a long time, as they say, "since Moses was a baby". We can go back to the beginning of the 20th century for the start, and recent samples include 2010, 2014, 2018, 2022. We expect the next one sometime in 2026.

Was last year's decline a bear market or a correction? A study of previous markets shows that Bull markets last about 24-26 years. The one that ended in 1929 lasted 24 years, the one ending in 1968 lasted 26 years and the most recent, which commenced in 1974, ended in 1999 or 25 years. Therefore, to claim that the period that started in 2010 had bear markets in 2014, 2018 and 2022 during a mere 13 years to date, is obviously wrong. These were "corrections" rather than "bear markets". Hence the rising market that commenced in 2010 was a bull market, it still is a bull market, and it could last another 11 or 13 years.

### **OUTLOOK**

The SPX has already moved above the critical 4200 level, the NASDAQ has moved above the important 13,000 level, it is now only the heavily weighted financial sector holding back the TSX from rising above the 21,000 level. Some good news on the Interest rate should help it to join the others soon.

## S&P 500 (SPX)



## S&P/TSX (TSX)



## NASDAQ



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