



Philequity Corner (August 27, 2018)
By Wilson Sy

The Longest Bull

The S&P 500 index registered a new all-time closing high of 2,874.69 and an intraday high of 2,876.16 last Friday. This surpassed the previous closing high of 2,872.87 reached on January 26, 2018. This also marked 3,455 days since the S&P 500 hit a closing low of 676.53 on March 9, 2009. At this point, the current bull market is the longest on record, eclipsing the epic bull run of 1990-2000 that lasted 3,452 days.

The 20% rule

The standard definition of a bull market for stocks is a 20% rise in stock prices. A bear market is exactly the opposite and defined as a 20% decline in prices. Bull markets in the US, on average, have advanced 134% and lasted for 1,542 days. Bear markets in the US, on the other hand, have declined an average of 31% and lasted 343 days.

Bull/Bear Market Cycles Post World War II

Cycle	Start	Intraday High/Low	End	Intraday High/Low	%Chg	Days
Bear	5/29/1946	19.3	5/19/1947	13.8	-28%	355
Bull	5/19/1947	13.8	6/15/1948	17.1	24%	393
Bear	6/15/1948	17.1	6/13/1949	13.6	-21%	363
Bull	6/13/1949	13.6	8/2/1956	49.8	267%	2,607
Bear	8/2/1956	49.8	10/22/1957	39.0	-22%	446
Bull	10/22/1957	39.0	12/12/1961	72.6	86%	1,512
Bear	12/12/1961	72.6	6/26/1962	52.3	-28%	196
Bull	6/26/1962	52.3	2/9/1966	94.1	80%	1,324
Bear	2/9/1966	94.1	10/7/1966	73.2	-22%	240
Bull	10/7/1966	73.2	11/29/1968	108.4	48%	784
Bear	11/29/1968	108.4	5/26/1970	69.3	-36%	543
Bull	5/26/1970	69.3	1/11/1973	120.2	74%	961
Bear	1/11/1973	120.2	10/3/1974	62.3	-48%	630
Bull	10/3/1974	62.3	11/28/1980	140.5	126%	2,248
Bear	11/28/1980	140.5	8/12/1982	102.4	-27%	622
Bull	8/12/1982	102.4	8/25/1987	336.8	229%	1,839
Bear	8/25/1987	336.8	12/4/1987	223.9	-34%	101
Bull	12/4/1987	223.9	7/16/1990	369.0	65%	955
Bear	7/16/1990	369.0	10/11/1990	295.5	-20%	87
Bull	10/11/1990	295.5	3/24/2000	1,527.5	417%	3,452
Bear	3/24/2000	1,527.5	9/21/2001	962.5	-37%	546
Bull	9/21/2001	962.5	1/4/2002	1,172.5	22%	105
Bear	1/4/2002	1,172.5	7/23/2002	797.7	-32%	200
Bull	7/23/2002	797.7	10/9/2007	1,565.2	96%	1,904
Bear	10/9/2007	1,565.2	11/20/2008	752.4	-52%	408
Bull	11/20/2008	752.4	1/6/2009	934.7	24%	47
Bear	1/6/2009	934.7	3/9/2009	676.5	-28%	62
Bull	3/9/2009	676.5	8/24/2018	2,874.7	325%	3,455
Avg. Bear					-31%	343

Source: CFRA, Wealth Securities Research

Bull markets don't die of old age

Because of the length and the age of this current bull market, many are saying that the bull market may be over soon. But bull markets don't die of old age. Bull markets end because of an economic recession or a severe financial crisis. Neither is present. For one, the Conference Board's Leading Economic Index are pointing to continued solid growth in the US economy. The June figure increased by half percent, beating expectations and marking the eight straight month of gains for the index. Second, the excesses experienced in previous bull market tops such as excess leverage, excess valuations & irrational exuberance on the part of investors are absent.

Opportunity of a Generation

For us in Philequity, the current bull market was born when the S&P500 index hit an intraday bottom of 666 on March 6, 2009. This is the level and date that we refer to in our book *Opportunity of a Lifetime* and in many articles we have written. In fact, this is what we wrote in this column almost 10 years ago.

“It is not surprising that only a few would dare to call a bottom this time around because the bulls have already given up and most of the bears have turned early bulls and were wrong... Nevertheless, we think the odds have dramatically improved that an important bottom is at hand, (666, March 23, 2009).”

“It is such a coincidence that the S&P 500 index bottomed at 666 on 3-6-9. While these numbers have important meanings when viewed in the concept of numerology, for us, they are significant because they quite possibly marked the ultimate bottom in stocks – the opportunity of a generation. (666 on 3-6-9, April 13, 2009).”

The start of the bull market in the US was the cue for global stock markets, including that of the Philippines, to start their own bull markets as well. Since then the PSE index is up more than three-fold.

Staying the course

We are now in the midst of the longest bull market in history. However, it is hard to predict when this bull market will eventually end. Thus, identifying the start of the bull market and formulating a strategy to stay the course are crucial for investors. We find this very important that is why we devoted a whole chapter in our book regarding this topic. We quote from the book and from our article:

“We were frequently asked if we saw any corrections coming as people wanted to time these short-term drops in the market. Our response to these questions was always the same – corrections would always be present in any bull market but the more important thing was that the long-term trajectory was upward. Therefore, it would be more prudent for people to hold on to their positions rather than trade in and out of them (Chapter 3- Staying the course, p. 65 of Opportunity of a Lifetime).”

“Corrections are part and parcel of bull markets. But nobody knows exactly when corrections will come. Corrections can take many forms...However, what we know is that the general direction of the market is still up and after a correction the market will resume its upward trek. Selling in a bullish market and trying to time corrections may cause an investor to miss a big upward movement in this bull market (New high means higher, Sept. 20, 2010).”

What’s next for Philippine stocks?

While the US markets have made new highs, it’s been a like a roller coaster ride for Philippine stocks. There have been deep corrections followed by sharp rallies. Some corrections were in excess of 20% like the pullback caused by the taper tantrum of 2013, the China slowdown scare of 2015.

Early this year, the PSE index reached an all-time intraday high of 9,078.37. But concerns about rising oil prices, inflation, a depreciating peso and a possible trade war, have caused the markets to decline by as much as 23.7% to 6,923.67 in June. Since then, the PSEi has rallied 12% and we may have seen an intermediate bottom in Philippine stocks. However, risks still remain and trading continue to be volatile.

Philequity Investor Briefing on Saturday, September 1

Emerging markets such as the Philippines move differently from developed market like the US. And each EM country face differing economic situations and issues. Hence, EM stock price movements are more volatile and are marked by sharper corrections. We will present all these nuances and how investors should navigate this perilous market during our Investor Briefing on Saturday, September 1, 9:30AM at

the Meralco Theater. Philequity investors and readers of this corner who want to attend are requested to register early for the event as seats are being filled-up quickly.

Philequity Management is the fund manager of the leading mutual funds in the Philippines. Visit www.philequity.net to learn more about Philequity's managed funds or to view previous articles. For inquiries or to send feedback, please call (02) 689-8080 or email ask@philequity.net.