RIP To The 7-Year-Old (Not 9) Bull Market

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The S&P 500 hit a high of 2,940.91 on September 21, 2018, and a low of 2,346.58 on December 26, 2018, for a peak-to-trough decline of -20.2%, confirming an official bear market and the end of one of the greatest bull markets of all time.

RIP to the 7-year-old bear market.

Since stock markets around the world bottomed in March of 2009 during the Great Financial Crisis, U.S. stocks (specifically the S&P 500) have been on a tear. We continuously hear that this bull market was over 9 years old and was "long in the tooth" and due for a pullback, since bull markets tend to last less than 3 years on average.

But was this really a 9-year-old bull market?

Nope.

Why? Well many somehow forget the bear market that happened in the fall of 2011.

The S&P 500, the most popular benchmark index, hit an intraday peak of 1,370.58 on May 2, 2011. It went on to hit an intraday low of 1,101.54 on August 9, 2011. This was a drawdown of -19.6%, or -20% when rounded so this is close enough in my books!

Source: Bloomberg

The Russell 2000, the US small cap index, hit an intraday peak of 868.570 on May 2, 2011, and went on to hit an intraday low of 634.710 on September 22, 2011. This represented a peak-to-trough decline of -26.9% (well into bear market territory).

Source: Bloomberg

The TSX Composite, Canada's benchmark index, went from an intraday high of 14,314.45 on April 6, 2011, to an intraday low of 11,293.63 on September 26, 2011, for a peak-to-trough decline of -21.1%.

Source: Bloomberg

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As you can see, many benchmark stock market indices declined by -20% or more in 2011, officially marking the end of the 2.5 year bull market that began in March 2009 and the start of a new bull market that began in August-September of 2011.

So with the last bull market of 2011 – 2018 officially over, let's put it in the books as one of the longest bulls of all time (but not the longest, which lasted nearly 10 years from October 1990 to March 2000).

Why is this important? Well a bear market is like a hangover – the bull market was a blast but now's the time to get rid of the excesses in the market built up over the last number of years, such as stretched valuations and overly eager lending standards.

The best part of a hangover is knowing it tends to be only temporary so we have something positive to look forward to. The average bear market lasts only 10 months on average.

So statistically speaking, we'll take our bear market medicine here and be back to new all-time highs in a year or two. Here's to the start of a new bull market.

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