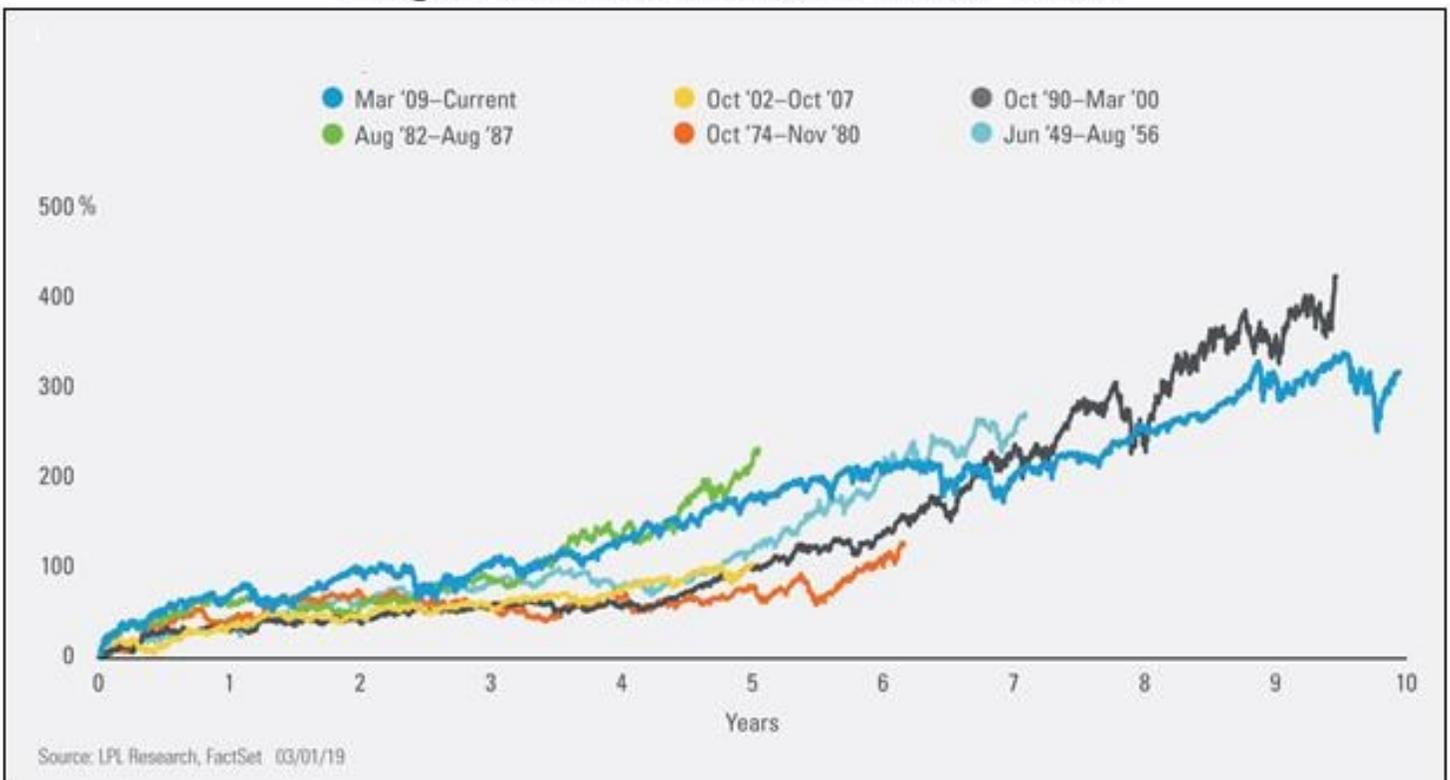


CHART OF THE MONTH

MARCH 2019

S&P 500 Longest Bull Markets Since World War II



The bull market celebrated its tenth anniversary on Saturday. Over the past decade, the S&P 500 has more than quadrupled in price (from 676 on March 9, 2009 to 2,743 on March 8, 2019) and the total return (including dividends) has quintupled. The compound average annual return has been 17.7%.

As shown in the graph above, the current bull market is the longest ever in terms of *duration* since World War II but not in *magnitude* as it still trails the 1990s advance by more than 100 percentage points. It has outlasted and outachieved the other four bull markets in the post-WWII era, all of which persisted for approximately five years.

Given that the S&P 500 hasn't made a new high since last September, one could argue whether the market has already peaked for this cycle or if the rally since the low on Christmas Eve is likely to set new records in the period ahead. The answer is probably a function of the economy, which will mark the tenth anniversary of its expansion in June and match the longest recovery since WWII.

While the economic expansion has continued for nearly a decade, it has been the second-weakest as measured by cumulative GDP growth (see below) and the slowest with respect to average annual GDP growth. As such, we believe that the economy is not nearly as extended as the *length* of the cycle might suggest.

In an interview with "60 Minutes" on Sunday, Federal Reserve Chairman Jerome Powell, admitted that the economy has slowed of late but said, "There's no reason why this economy cannot continue to expand." Importantly, at the Fed's last policy meeting in January, Powell added, "We don't feel any hurry to change our interest rate policy," noting the level of the Fed's benchmark rate was "roughly neutral."

We agree with Powell's assessment of the economy and contend that the Fed's move to a "patient" stance on hiking interest rates will help defer the onset of the next recession, which should also be a positive for the stock market for the foreseeable future.

CUMULATIVE GDP GROWTH Longest Economic Expansions Since World War II

