New American

Written by **Bob Adelmann** on April 3, 2018

Bull Market in Stocks Continues

The 616-point decline in the Dow Jones Industrial Average (DJIA) during the first calendar quarter of 2018 ended a nine-quarter streak of gains. During those nine quarters, the Dow rose an astonishing 8,400 points, almost half of the Dow's 18,000-point gain since the start of the bull market in stocks in 2009.

Monday's sharp decline of more than 600 points mid-day (the Dow ended down 450 points for the day) raised once again the question: is the bull market in stocks over?

It's highly unlikely. From 1995 to 1997, the Dow rose 11 quarters in a row before selling off. After the down quarter that followed, the market roared back, gaining 11 percent the next quarter and climbing more than 45 percent by the end of 1999.

Yardeni Research reports that over the last 31 years, the Standard & Poor's 500 Index (which tracks the price performance of 500 of the country's largest publicly-held companies) has experienced 23 declines of five percent or more. Only three of them have turned into genuine bear markets (when that S&P 500 Index has lost 20 percent or more of its value).

There's the Dow Theory (about which *The New American* has written here and here). According to that theory, a bear market is triggered when both the DJIA and the Dow Jones Transportation Index (DJT) break support after hitting new highs, declining, rebounding and then declining again. The support level for the Dow (23,860) was broken several times, but support for the DJT (10,136 on a closing basis) never was. In fact, during Monday's market action the DJT traded briefly below 10,136 but closed substantially above that level for the day. Early market action on Tuesday is extending those gains for the DJT.

Michael Santoli, CNBC's senior markets commentator, said that despite recent volatility, "stocks are showing signs of finding their footing after two months of struggle." What are those signs? One is the market's price-to-earnings ratio (P/E), based upon the latest 12 months' reported results from those 500 companies. It had gotten extended above its five-year-average of 18, but thanks to the recent sell-off, it has retreated to below 20. With projected earnings of 15 percent by those 500 companies for 2018, this, according to Santoli, is a reasonable number for the P/E.

And then there are the investment newsletter writers whose reputations rest upon their ability to read the tea-leaves accurately for their subscribers. Most of them remain bullish for the rest of the year. Sean Williams, writing for *The Motley Fool* newsletter, has given his readers what he calls "the closest thing you'll ever get to a surefire stock tip": Stay invested, wait it out, and you'll be glad you did. Said Williams:

> Since January 1, 1950, the S&P 500 has undergone 35 corrections whereby its aggregate point value has fallen by at least 10 percent….
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> Here's the key point: all 35 of those stock market corrections have been completely erased within a

> matter of weeks or months (and in rare cases years), by a bull market rally.
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> I repeat, in 35 out of 35 instances since 1950, the S&P 500 has erased any stock market corrections totaling 10 percent or higher at some point in the future.
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> That's a 100 percent success rate over nearly three dozen data points.
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> Buying any major dip in the S&P 500 is about as close to a guarantee as you're going to get when it comes to investing in the stock market.

An investment advisor in Colorado Springs, Russ Adelmann with Adelmann Financial, requires that each of his clients promises to turn off CNBC during the day, and let him do the worrying for them. That way, he says, his clients rarely if ever even call to ask him how their accounts are doing. For the last 20 years they've been doing just fine.

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An Ivy League graduate and former investment advisor, Bob is a regular contributor to The New American *magazine and blogs frequently at LightFromTheRight.com, primarily on economics and politics. He can be reached at badelmann@thenewamerican.com.*

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