A Subdued 8th Birthday Celebration

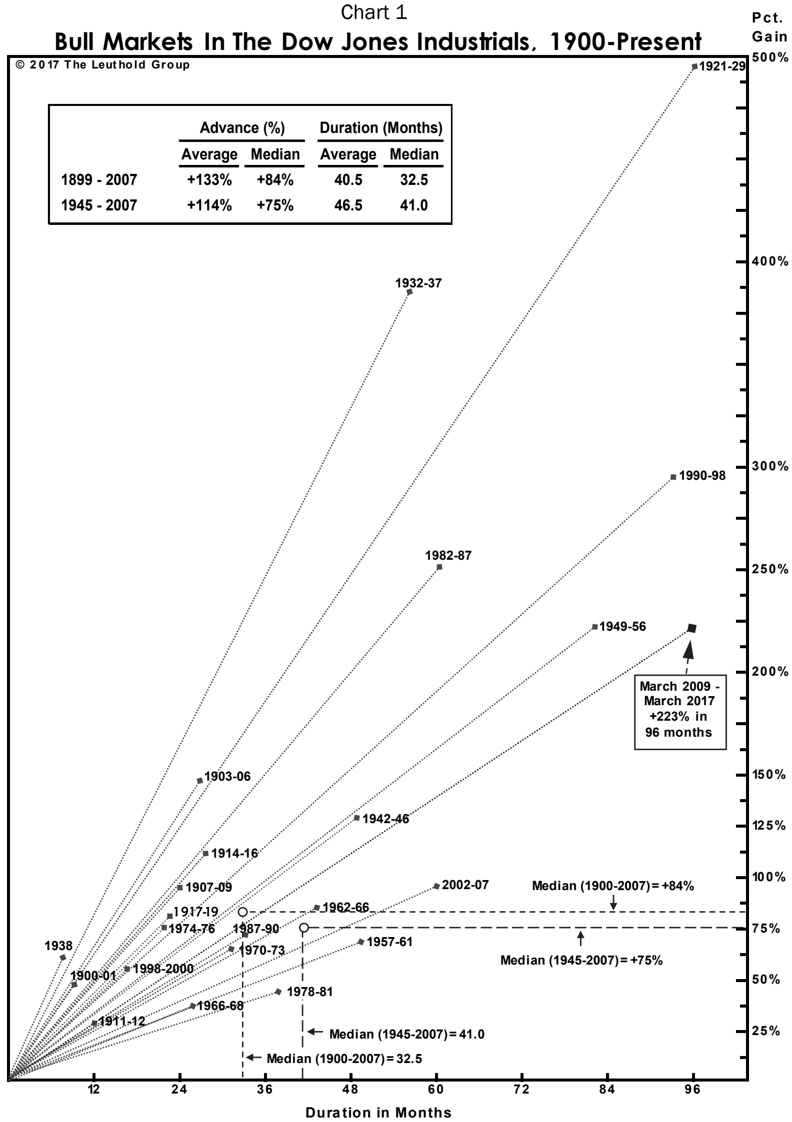
by: *Doug Ramsey, CFA, CMT*

Children eventually reach an age when they outgrow the need or desire for an elaborately staged birthday party. In the case of a certain bull born back in March 2009, that age appears to be **eight**. Although we write this a few days in advance of the "special day" (March 9th), the hoopla has certainly fallen short of that which surrounded birthdays #3 through #7 (or at least our recollection of it). Could it be that complacency has set in—that bull market birthdays have become… well… a birthright? Based on the flood of assets into passively managed stock mutual funds, our answer would be **yes**.

Our underestimation of the current bull market started even *before* it commenced, when we foolishly built Chart 1 to accommodate cyclical bull markets lasting up to a maximum of 8 1/2 years. (There we go again, relying on history to gauge the present.) While the *horizontal* boundary of the chart might be violated later in 2017, the vertical boundary—representing a DJIA bull market price gain of **500%**—looks safe for now.

Chart 1

Bull Markets In The Dow Jones Industrials, 1900-Present



Thanks to the market surge on March 1st, the Dow's cumulative bull market price gain of 222.5% now ranks fifth among the 23 cyclical bull markets since 1900 (Table). And, any new DJIA high after March 15th will put the current bull in the top spot as far as longevity, dethroning the 1921-1929 bull (which lasted 96 months and six days).

This bull market has overcome seemingly any challenge proposed in these pages, so we'll put forward a couple more. To eclipse the powerful 1982-87 cyclical bull, the DJIA would need to close above **22,941.64**; a close north of **25,849.29** would eclipse its 1990-1998 gain. These numbers might seem a stretch after an 18-year period in which the DJIA traded mostly between 10,000 and 20,000, **but both are achievable in a true melt-up scenario**.

Bull Markets In The DJIA, 1900 To Date

Dates	Gain (%)	Duration (Mos.)
August 24, 1921 - August 30, 1929	495.2 %	96
July 8, 1932 - March 10, 1937	371.6	56
October 11, 1990 - July 17, 1998	294.8	93
August 12, 1982 - August 25, 1987	250.4	60
March 9, 2009 - March 1, 2017	**222.5**	**96**
June 13, 1949 - April 6, 1956	222.4	82
November 9, 1903 - January 19, 1906	144.3	26
April 28, 1942 - May 29, 1946	128.7	49
July 30, 1914 - November 21, 1916	110.5	28
October 9, 2002 - October 9, 2007	94.4	60
November 15, 1907 - November 19, 1909	89.6	24
June 26, 1962 - February 9, 1966	85.7	44
December 19, 1917 - November 3, 1919	81.4	22
December 6, 1974 - September 21, 1976	75.7	21
October 22, 1957 - December 13, 1961	75.1	52
October 19, 1987 - July 16, 1990	72.5	33
May 26, 1970 - January 11, 1973	66.6	32
March 31, 1938 - November 12, 1938	60.1	7
August 31, 1998 - January 14, 2000	55.5	16
September 24, 1900 - June 17, 1901	47.8	9
February 28, 1978 - April 27, 1981	38.0	38
October 7, 1966 - December 3, 1968	32.4	26
September 25, 1911 - September 30, 1912	29.1	12
AVERAGE	**136.7 %**	**43**
MEDIAN	**85.7 %**	**33**

The scatterplot in Chart 2 provides another perspective. Cumulative DJIA bull market price gains are plotted against the **depth of the preceding bear market**. The correlation between the two series, at just 0.42, is lower than we expected.

With the benefit of hindsight it might now seem obvious that the DJIA was poised for a huge recovery following the *54% decline* into its 2009 low. On the other hand, the three bull markets that followed the near -50% bears of 1907, 1973-74, and 1937-38 all failed to generate even a double in the DJIA. In short, a huge bear market loss is not a guarantee of an above-average subsequent bull market, but it's certainly worked out that way in the current cycle.