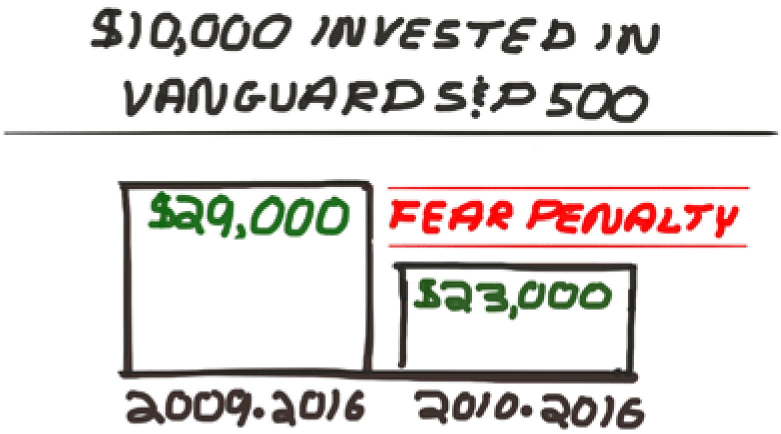
The Bull Turns 8 Years Old – Five Observations and Suggestions

> *Special note: The AAI Investor Conference is special event that regularly sells out. As we get closer to finalizing the agenda for our 2017 AAII Investor Conference, we are giving you the opportunity to have first access to registration and qualify for the discounted early-bird rate. No credit card is currently necessary; simply visit this page.*

Today, the bull market turned eight years old.



The anniversary makes the current bull market the second-longest since World War II. Stocks will have to continue their ongoing upward trend for an additional 17 months to catch up with the 1990's bull, which ran from October 11, 1990, through March 24, 2000.

Bull market anniversaries are always notable as benchmarks, but they don't answer the question of "what do I do now?" In this week's commentary, I share some observations and suggestions that may help.

1. Bull Markets Don't Die of Old Age—Yes, the bull market is getting up there in age. Howard Silverblatt of S&P 500 described it as being 127 in human years. Yet, age has nothing to do with how

long a bull can run. It's always a complication of some sort that lassoes the rally. The 1970-1973 bull market was slayed, in part, by a steep jump in oil prices. The 1974-1980 bull market ran right into a wall created by Paul Volcker's war on inflation. The dot-com bubble popped because of extraordinarily high valuations and unsustainable business models. Bad housing loans took down the 2002-2007 bull market.
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- Five Big Lessons From Market History – This 2002 *AAII Journal* article showed the advantages of keeping stocks in a portfolio.
- Bear Market Grads: What You Should Learn From the Financial Crisis – The lessons laid out in this 2009 article remain very applicable to investors eight years later.

Highlights from this month's *AAII Journal*

- Rebalancing Update: How Frequently Allocations Should Be Adjusted – By allowing allocations to fluctuate within a +/-5% band, an investor has needed to rebalance only once every three years.
- Longer-Term Inflation Forecasts Are Less Accurate – More evidence on why you should view forecasts, particularly longer-term ones, with a healthy dose of skepticism.

AAII Sentiment Survey

Pessimism surged to its highest level since February 2016. Past occurrences of unusually high levels of bearish sentiment have a mixed record of being followed by bigger-than-average six-month gains in the S&P 500. More about this week's results.

This week's results:

- Bullish: 30.0%, down 7.9 points

- Neutral: 23.5%, down 3.0 points
- Bearish: 46.5%, up 10.9 points

Historical averages:

- Bullish: 38.5%
- Neutral: 31.0%
- Bearish: 30.5%

Take the Sentiment Survey.

The Week Ahead

Friday will be St. Patrick's Day; be sure to wear something green!

Just five members of the S&P 500 will report earnings: Oracle Corp. **(ORCL)** on Wednesday; Adobe Systems **(ADBE)**, Dollar General Corp. **(DG)** and Perrigo Company **(PRGO)** on Thursday; and Tiffany & Co. **(TIF)** on Friday.

The week's headline event (at least for the financial markets) will be the Federal Open Market Committee's March meeting. In what has been a dramatic change from just two weeks ago, the CME's FedWatch Tool now shows traders assigning an 91% chance to a quarter-point rate hike being announced. The meeting will start on Tuesday with the statement released on Wednesday at approximately 2:00 p.m. ET. Updated committee member forecasts will be released at that time as well. Chair Janet Yellen will hold her quarterly press conference 30 minutes later.

Elsewhere on the economic calendar, the February Producer Price Index (PPI) will be released on Tuesday. Wednesday will feature the February Consumer Price Index (CPI), February retail sales, the March Empire State manufacturing survey, January business inventories and the March housing market index. February housing starts and building permits, the Philadelphia Fed's March business outlook survey and the Labor Department's January job openings and labor turnover survey (JOLTS) will be released on Thursday. Friday will feature February industrial production and capacity utilization as well as the University of Michigan's preliminary March consumer sentiment survey.

Local Chapter Meetings

AAII Local Chapter Meetings offer you a variety of presentations from expert speakers who will give you their view on the world of investing. A bonus of attending a Chapter Meeting near you is the opportunity to meet other AAII members who share your interest and enthusiasm for investing. You can even share the Chapter experience with your family and friends by inviting them to attend Chapter Meetings with you!

Upcoming Meetings »
