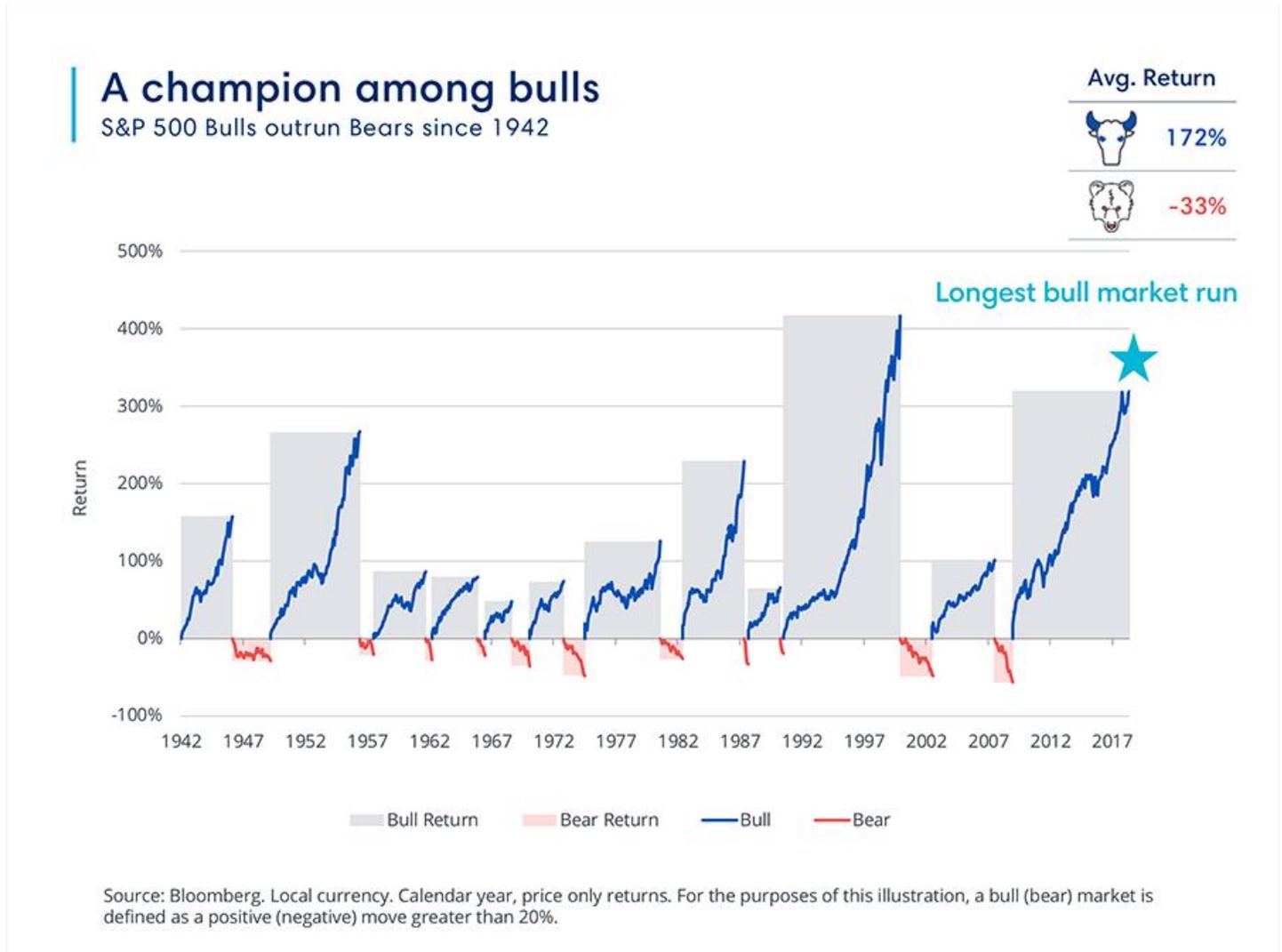


## S&P 500 makes history, recording longest bull market run ever

It's official. Born from the depths of the country's worst financial crisis, and fueled by historically low interest rates, unprecedented government interventions, and blossoming global technology giants like Facebook and Amazon, comes the longest bull market the U.S. has ever seen (3,453 calendar days to be precise). The S&P 500 hit 2861.82 today, a 323% gain from its low in March 2009



We've compiled a list of the most noteworthy market events during this roller-coaster ride to the top that brought us to today.

## How did we get here? The anatomy of a record bull market run

### 1. March 9, 2009 – Rock Bottom

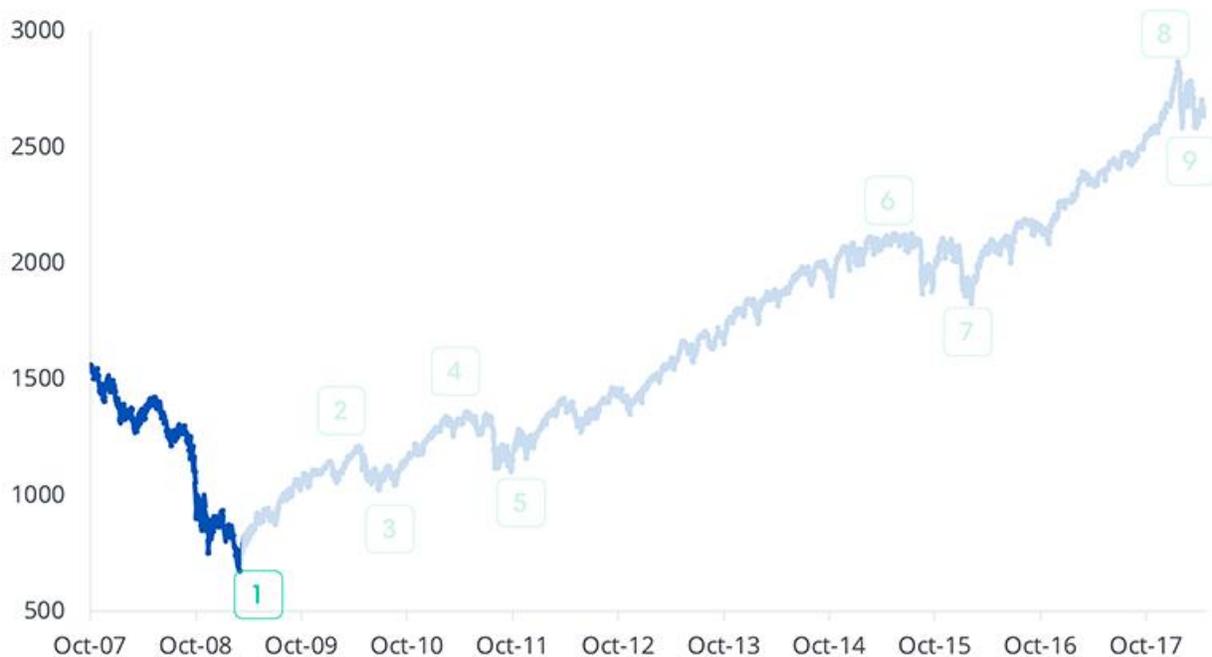
The S&P 500 falls 7% the week prior to March 9th, and falls a further 1% on Monday, March 9th, hitting an ominous intraday low of 666 – down over 56% from the peak on Oct. 9, 2007.

It's not looking good. The collapse of the U.S. housing market is ongoing, and with it the obliteration of related financial instruments that brought down venerable institutions such as Bear Stearns, Lehman Brothers, Merrill Lynch, AIG and others. The U.S. unemployment rate doubles to 8.3% but remains on its way to an eventual 10% peak in October 2009. The U.S. government's TARP\* program is already bailing-out major financial institutions, but the automakers' bail-out is still a month away. Markets capitulate under the weight of the crumbling economy, even though economically, the worst is yet to come. Warren Buffet goes on CNBC and says the economy had "fallen off a cliff."

\* TARP (Troubled Asset Relief Program)

## Anatomy of the Longest Bull Market

S&P 500 Index



Source: Bloomberg

## 2. Mar. 10, 2009 to Apr. 22, 2010 – Emergency measures

On Mar. 10, well before earnings or economic data show any signs of improvement, something shifts in the minds of a few brave investors – suddenly, dollars flow into the market instead of out. The S&P 500 begins the longest bull run in history by rallying 6% on the day, the start of a 10.7% weekly gain.

The market eventually rallies 80% off the Mar. 9, 2009 low, without experiencing a correction over 10% during this remarkable run. Government bailouts of the housing market, financial system and automakers help repair confidence. Emergency measures are deployed. A pledge of a zero-interest rate policy (ZIRP), quantitative easing (QE1), extended unemployment benefits and government auto purchase incentives (such as the “cash for clunkers” program) combine with an ebbing unemployment rate, rebounding GDP growth and improving corporate earnings to propel the S&P 500 higher.

### Anatomy of the Longest Bull Market S&P 500 Index



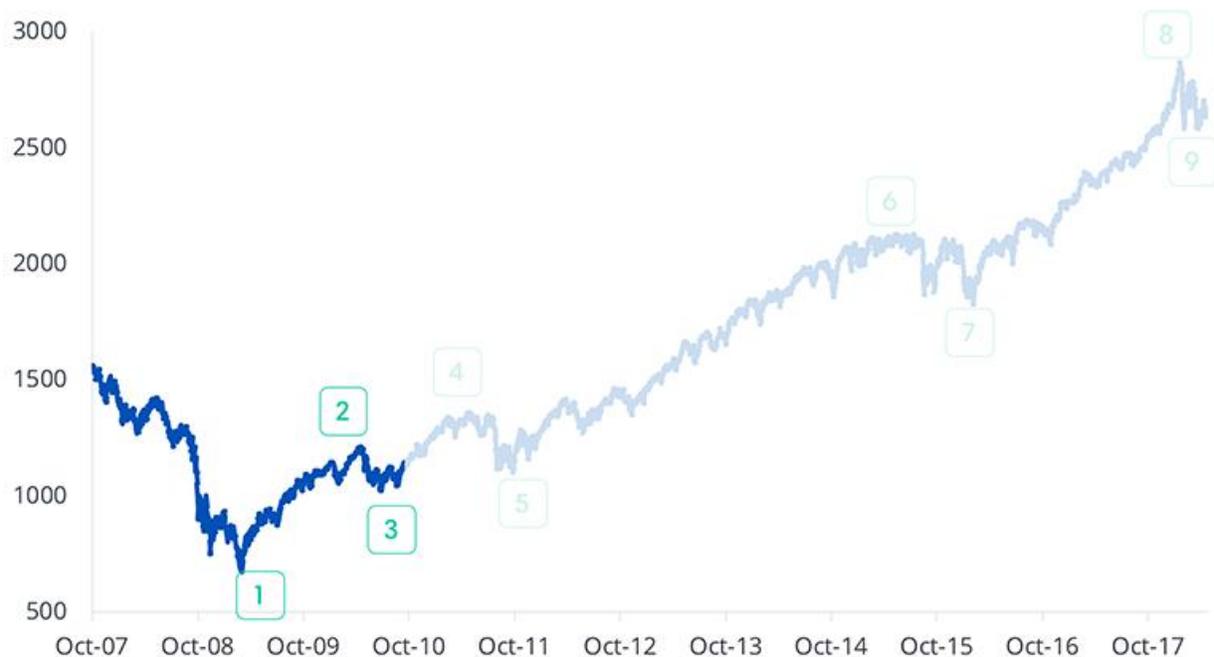
Source: Bloomberg

### 3. Apr. 23, 2010 to Jul. 2, 2010 – Flash crash

The S&P 500 falls 16%, nearly cutting the bull market run short. (A bear market occurs when prices decline 20% or more from their previous high.) The U.S. economy continues to heal, but Europe is in the throes of a worsening sovereign debt and banking crisis. Exacerbating the market shakiness is the growing influence of dark pools, alternative trading systems and high-frequency traders. On May 6, 2010 a “Flash Crash” occurs. In a matter of minutes, the Dow Jones falls by 1,000 points (a 9% plunge) and the S&P 500 dips by 6%.

## Anatomy of the Longest Bull Market

S&P 500 Index



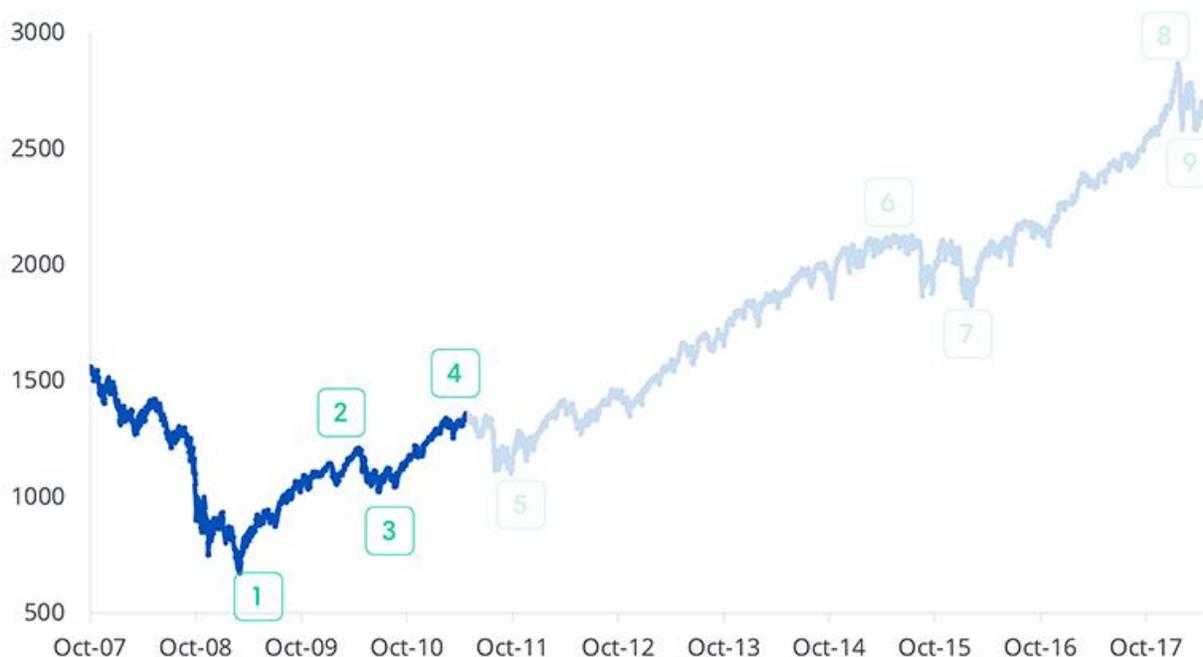
Source: Bloomberg

4. Jul. 3, 2010 to Apr. 29, 2011 – When PIIGS don't fly

The S&P 500 rises 33% (now up 102% from Mar. 9, 2009) with the advent of the European Financial Stability Facility (EFSF) meant to bailout the European banks. While the European banking sector appears to be saved, attention turns to the sovereign debt concerns and solvency of Portugal, Ireland, Italy, Greece and Spain. The regrettable acronym, "PIIGS", is coined.

### Anatomy of the Longest Bull Market

S&P 500 Index



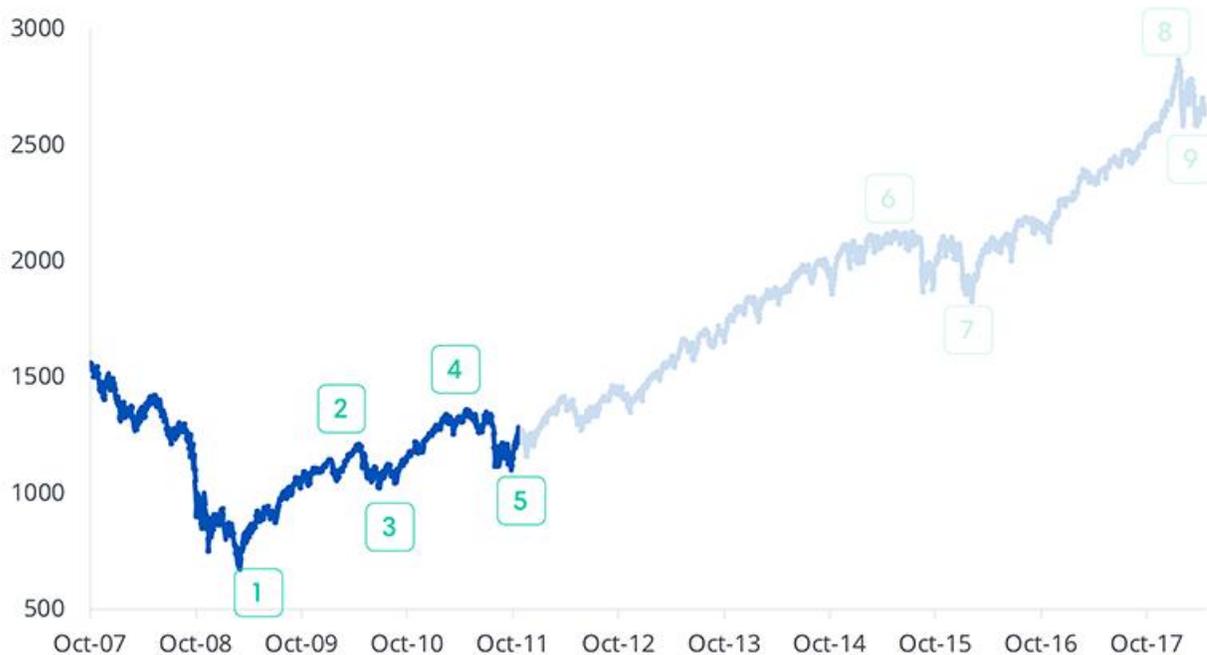
Source: Bloomberg

5. April 30, 2011 to October 3, 2011 – A near miss

The S&P 500 declines 19.39% and very narrowly misses entering official bear territory. Concerns over inflation, flagging U.S. economic growth, a U.S. debt downgrade and ongoing concerns over the European debt crisis weigh on investor confidence. Commodities, after having been on a tear, face their first significant post-crisis correction (oil prices fall from \$110/bbl to \$75/bbl).

### Anatomy of the Longest Bull Market

S&P 500 Index



Source: Bloomberg

6. Oct. 4, 2011 to May 21, 2015 – Whatever it takes<sup>1</sup>. As long as it takes<sup>2</sup>

The longest and strongest stretch of the bull market run. The S&P 500 adds over 1000 points in just under four years, nearly doubling (a rise of 93% since Oct. 4, 2011 and up 215% since Mar. 9, 2009) and reclaiming all-time highs. Multiple expansion fuels the market as forward P/E multiples expand from 10.3X to 17.8X – a testament to the growing appetite for risk.

Margaret Thatcher coined the phrase “there is no alternative,” (shortened to ‘TINA’) and in these market conditions investors apply “TINA” to their search for returns. Yields collapse for safe-haven assets and investors see riskier alternatives like equities and high-yield bonds as their only option for capital growth. A series of unprecedented government interventions fuel capital markets, and “Too Big To Fail” becomes an expected policy stance. It becomes difficult to keep up with the flurry of acronyms as government monetary authorities release a bazooka of stimulus programs: QE1,2,3, LRTO, EFSF, OMT, NIRP\*, as well as spending on infrastructure and plans like ‘Operation Twist’ dump trillions of dollars of liquidity into the system.

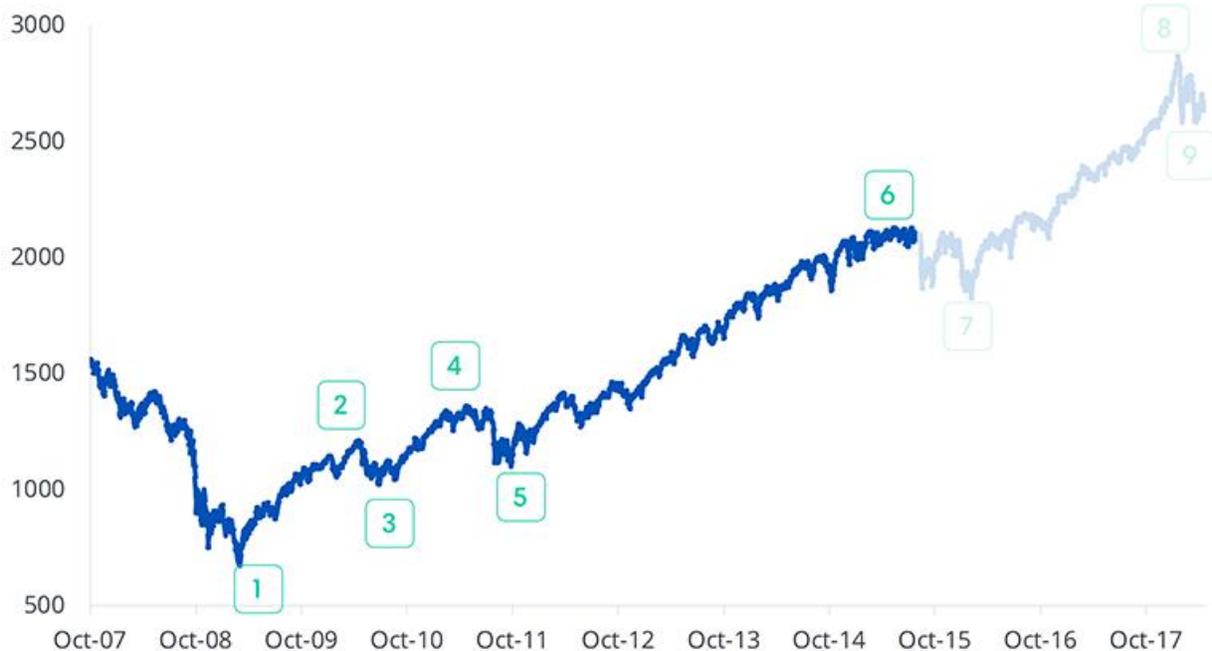
1. July 26, 2012 - Mario Draghi, President of the European Central Bank vows to do ‘whatever it takes’ to preserve the euro.

2. September 13, 2012 - Ben Bernanke, U.S. Federal Chairman announces stimulus action for ‘as long as it takes’ and effectively declares war on stubborn U.S. unemployment rates.

\*QE (Quantitative Easing); LRTO (Longer-term refinancing operations); EFSF (European Financial Stability Facility); OMT (Outright Monetary Transaction); NIRP (Negative Interest Rate Policy).

## Anatomy of the Longest Bull Market

S&P 500 Index



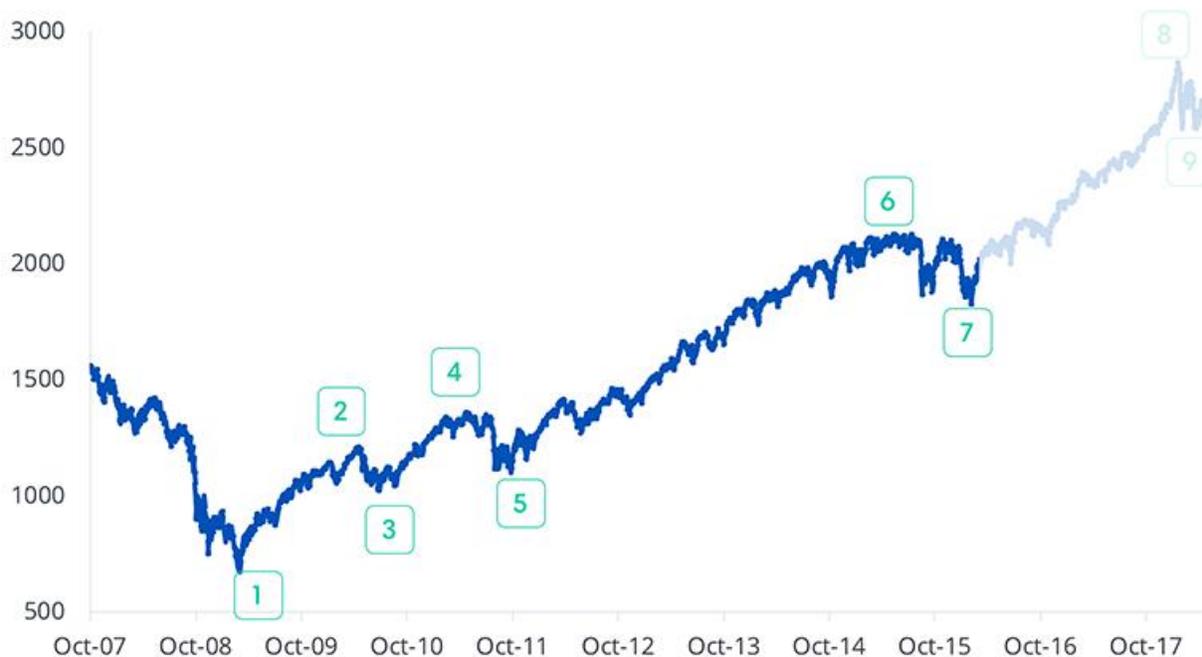
Source: Bloomberg

7. May 22, 2015 to Feb. 11, 2016 – Another close call

A global growth scare sends numerous global equity markets into 'bear' territory (including the S&P/TSX Composite), but the S&P 500 manages to contain the decline to 14%. Markets are dealing with a sharp appreciation of the U.S. dollar, a collapse in commodity prices (especially oil which bottomed at \$26.05/bbl on Feb. 11, 2016), and the bursting of the Chinese equity bubble (up 150% in 12 months, then down 50% in six months, leading to a disorderly devaluation of the Chinese yuan). U.S. economic growth weakens to its lowest post-crisis levels. S&P 500 earnings flatline.

## Anatomy of the Longest Bull Market

S&P 500 Index



Source: Bloomberg

8. Feb. 12, 2016 to Jan. 26, 2018 – Trump’ed

The world exits the prior slump with a rare bout of synchronized global expansion. The S&P 500 rises 57% from its position on Feb. 11, 2016 and stands 325% above the Mar. 9, 2009 low. A goldilocks era for corporate equities (i.e. wages, inflation and borrowing costs all remain low) results in a goldilocks era for markets (steady growth and extremely low volatility). Britain unexpectedly votes to leave the European Union, but global equity markets barely take notice.

The election of Donald Trump as U.S. president brings tax reform and fiscal largesse that spurs forward earnings estimates a further 20-30% in the near-term. Markets are exuberant on the expectations, rising 7.45% in the first 18 trading days, a pace that equates to an annualized rate of 155%.

### Anatomy of the Longest Bull Market

S&P 500 Index



Source: Bloomberg

9. Jan. 27, 2018 to Aug. 22, 2018 – Volatility returns

A period of low volatility comes to an end, with a garden variety 10% correction on “over-bought” conditions. The market begins to fear accelerating monetary policy tightening. Inflation fears grow as wage gains finally arrive. Record low unemployment and rising commodity prices strain economic capacity, sending bond yields higher. Earnings continue to deliver but fears of mushrooming trade wars dampen enthusiasm. As of Aug. 22, 2018 the S&P 500 stands at 2861.82; the longest S&P 500 bull market run in history has clocked a 323% gain from the 666 intra-day Mar. 9, 2009 low.

### Anatomy of the Longest Bull Market

S&P 500 Index



Source: Bloomberg

Where do we go from here?

We enjoyed looking back at market events that brought us to today, but where do we go from here? [GLC's mid-year capital market outlook](#) and special insight articles like [How to avoid 4 common mistakes investors are making right now](#) offer those insights.

## Anatomy of the Longest Bull Market

S&P 500 Index



Source: Bloomberg

\*all charts as of August, 2018

*Disqualified on a technicality: Should the S&P 500 fail to strike a new market high from here, and subsequently decline 20% from its previous market high, then the current S&P 500 bull market run will, retrospectively, be considered to have ended January 26<sup>th</sup>, 2018 (the previous market high), and will lose the title of 'longest S&P 500 bull market in history'.*

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