



MARKET COMMENTARY

# A Bullish Pattern for Stocks

Are we at the beginning of a 20-year  
stock market advance?

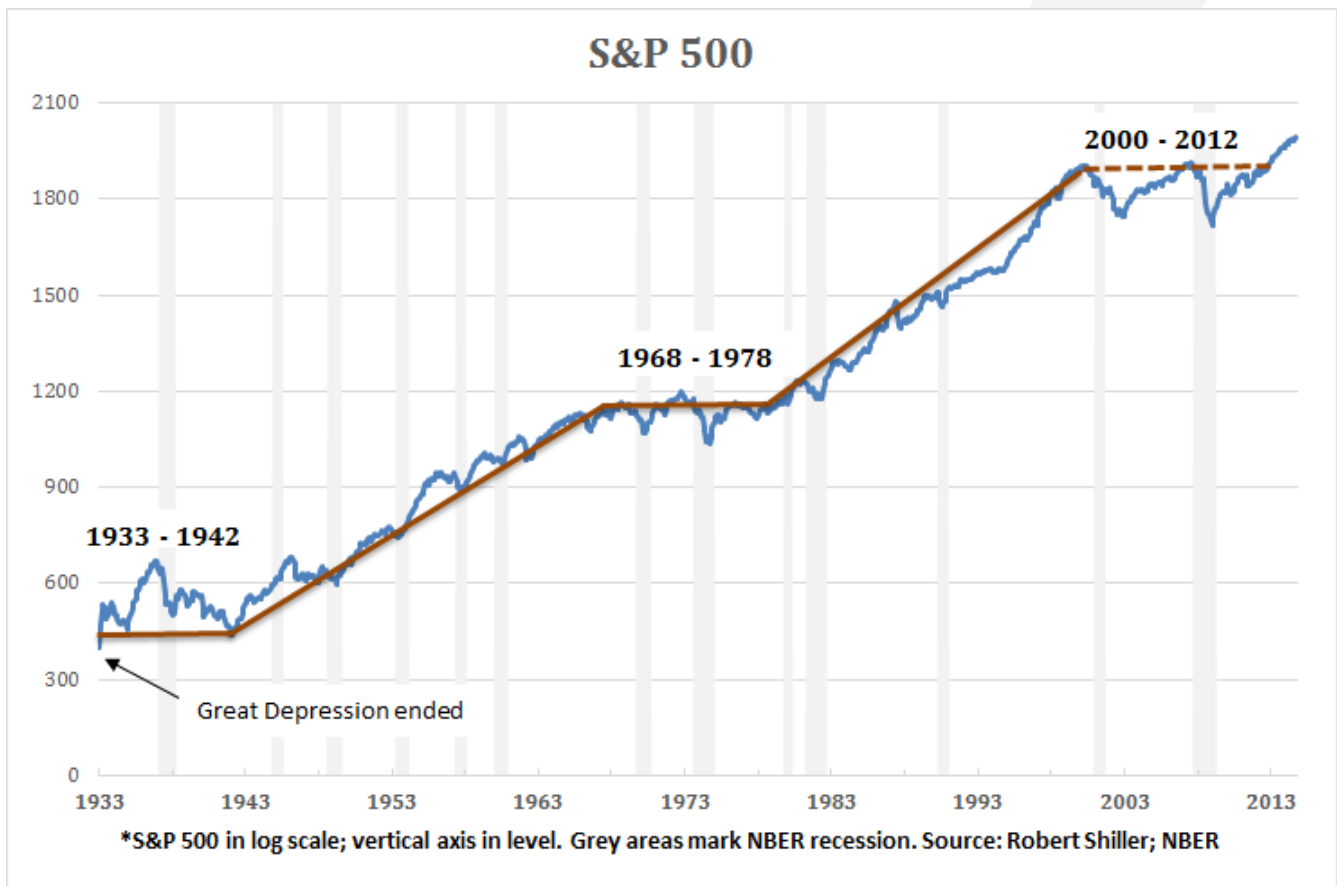
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# A Bullish Pattern?

From a technical perspective there is some reason for optimism in the stock market. Since the end of the Great Depression in 1933, the stock market has demonstrated an interesting pattern of alternating 10-year plateau - 20-year advance phases and right now, we appear to be at the beginning of a 20-year advance. The chart below shows how the pattern played out for the S&P 500 (DJIA shows a similar shape and is thus not included here).

The first 10-year plateau occurred post-depression until 1942. This was a time marked by a lack of demand in the economy while people recovered from the Depression. Later on, the Pearl Harbor attack dragged the United States into the second World War. But following this time period, post-war rebuilding sparked a 26 year advance. From 1942 to 1968, the S&P 500 gained 10.2% annually on a price-only basis.

In 1968 another 10-year plateau returned amid the Vietnam War, oil price shock and economic stagflation. This period of stagnation was only to be followed by a 22-year advance that was even stronger than the last one.



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## Takeaways

It is worth noting from the chart that bull markets last longer than bear markets and rebound stronger. Plateau periods see more volatile movements with tangled rallies intermixed with sharp sell-offs often leaving investors psychologically exhausted, unprepared for a new bull market. Those investors who stuck with their investments through those plateaus were rewarded over the long haul.

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