



## Bull History

*How much longer will this Bull Market last? That is the prevailing question around the investment community. The current Bull is 5 ½ years old, and has been very impressive in historical terms. Heading into October, the current Bull Market was the 4th longest in the last 100 years, and still going. Only the Dot-com days in the '90's, Post-WWII, and the Roaring 20's lasted longer. This current Bull is very much alive and active. Importantly, every one of these Bull*

*Markets established new, all-time highs. We are again in uncharted waters. And that's ok.*

No Bull Market has ever died of old age. It's always been recession or shocks that put an end to Bull runs. The Roaring 20's and 90's lasted nearly 10 years. Then they crashed. But it was excess enthusiasm and recession that put an end to those Bull's. Unlike those periods of excitement and euphoria, the current Bull Market has lacked confidence and support. There is very little exuberance today, and the little there is, it's quite rational. Psychology plays a major role in the stock market. Often times it pays to go against the herd. Investor sentiment was a record 62% bullish in 2000, before the bubble burst. The same measurement shows only 35% bullish today, nearly half the number from the exuberant Dot-com days. It's been a hated, mistrusted Bull. Those that have not participated in the rally are frustrated and angry – there is a large population in that camp.

This mistrust comes as no surprise, since this Bull was born in response to two massive Bear Markets within ten years time. Both the Dot-com Bubble bursting in 2000, followed by the financial crisis of 2008 left deep wounds for investors, and shook confidence to its core. That is precisely why this Bull is so much healthier. The foundation is quite strong. The US economy is growing at a much slower clip today, but it's growth nonetheless. It is not overheating.

### A Broad Bull

The current Bull is very broad based, with diversified leadership across multiple industries. The Dot-com Bull was dominated by Tech, which outperformed four-times what the rest of the industry sectors did. Earnings are growing twice as fast today as they did in the 1990's. And this Bull Market has the S&P 500 trading at a valuation to earnings, which is half of what

the Bubble had it valued. The Dot-com bubble was filled with companies that neither turned a profit nor had a plan to. Innovation is at play today; revenue growth and profits are strong. That's a critically important distinction.

### The Price of Money

Interest rates are much lower now than in previous Bull Markets. Central banks around the globe are more concerned about deflation than inflation, and have taken radical measures to prop up their economies and stimulate growth. That means money is cheap, and consumers and corporations alike have been able to access money at low rates to invest for the future.

Today's Fed Funds rate is effectively zero. The 10-year Treasury yield is under 2.5%. This compares to 6% in 2000. Mortgages, car loans and many credit cards are tied to the low rates. They're still very low. Rising rates makes money more expensive and generally slows economic growth from overheating. Janet Yellen's Fed seems very cautious and thoughtful. They do not want to take action too quickly and risk threatening the US economy. This is positive for bond investors.

**CMT**  
CHARTERED MARKET TECHNICIAN



### Newly Minted Chartered Market Technician

We are proud to announce that Mike Harris has received his Chartered Market Technician designation. There are only 4,500 CMTs world wide. Congratulations Mike!

## US Assets Reign Supreme

With both economic and geopolitical problems overseas, demand for US assets is as strong as ever. Investors around the globe have been seeking the safety and stability of US stocks, bonds and Dollars. We don't see this changing anytime soon. It's an uneven growth environment around the globe. The US is growing, China is slowing and Europe is fighting off recession.

Select international markets look attractive to us, but generally we still prefer the US where innovation and revenue growth is thriving. Conditions are always changing, and so are our strategies.

The Dollar strength is a new phenomenon, something that hasn't happened in 10 years. Assets are being re-priced to account for this currency change, which has contributed to the recent sell-off. A stronger Dollar will no doubt have an impact on commodity prices and US exports. The next stage of this Bull Market promises to be bumpy. We still see further gains ahead, but it won't come in a straight line. We will be navigating some choppy waters with the threat of rate hikes, a stronger Dollar and global tensions, among others ahead. But make no mistake, we see more life in this Bull.



## Chart Reading

A new theme is in play heading into the Fall; the strengthening of the US Dollar. A strong Dollar has been absent for over 10 years, and its return is playing a major role in re-pricing global assets, particularly the price of commodities.

On the surface, a strong Dollar hurts US companies with a high percentage of revenues overseas. So naturally one might think that large cap stocks found in the DOW and S&P 500 would struggle. But when analyzing the Dollar and S&P 500 performance over the past Dollar strength cycles, that assumption was proven wrong.

The last Dollar Bull market was from 1995 to 2001, where it rallied over 50% paired against a basket of global currencies. During this period, the S&P 500 tripled in value. Prior to the 90's, the Dollar experienced a strong cycle from 1979 to 1985. The Dollar doubled in value. The S&P 500 during that same 6-year stretch rallied over 90%. Both of these dollar runs did not adversely affect equity prices over the longer run.

Today over 50% of the S&P 500 revenues come from overseas. This compares to roughly 20% in decades past. Global companies use sophisticated hedging strategies to offset currency fluctuations.

We see the strong Dollar trend continuing. This could bring more volatility near-term. Over the long run, the secular Bull Market should adapt and continue the move higher.



## Consumer Corner

A whopping 80% of shoppers are expected to use the internet this holiday shopping season. In today's competitive retail environment, shoppers are very connected and informed. They will be researching details on gifts as well as prices.

Retailers need to have compelling promotions to get shoppers in the door and need to have deals to get them to open their wallets. About 15% of holiday sales will be transacted online. Thanks to shipping companies beefing up staff for the season, we expect that shipping delays will not be a deterrent for last minute online shoppers.

The unemployment rate has dropped below 6% following a hiring burst this year. This means more paychecks and money being pumped back into the economy. Remember, consumer spending accounts for about 70% of GDP.

Certain devices have remained impervious and demand for them strong even in sluggish spending periods. Apple's iPhone 6 launch is a perfect example. A record setting 10 million phones were sold in the first weekend! Tech gadgets will top holiday wish lists again this year including smart phones, tablets, video cameras and wearable tech devices such as fitness trackers and smart watches.

Tech toys will be popular for kids too who routinely ask Santa for cellphones, i-devices and tablets. Another cool kid gift will be anything Frozen related. Disney's film-sparked franchise has a cult-like following and licensed Frozen toys, dolls and games are expected to fly off the shelves this holiday season.