

# PHASES & CYCLES®

**THE CURRENT SECULAR BULL MARKET HAS HIGHER TARGETS.**

To understand the Market, it is necessary to know how market cycles unfold. A Market Cycle consists of a **Secular Bull Market (SBM)** (a period of about 25 years of rising prices), followed by a **Secular bear Market (SbM)**, (a period of 8-9 years of falling prices). The two previous Market Cycles consisted of an **SBM** of 24 years (1942-1966) and an **SbM** of 8 years (1966-1974); followed by an **SBM** of 26 years (1974-2000) and an **SbM** of 9 years (2000-2009). The current **SBM** commenced at the 2009 low (see A on the chart below) and it is only 12 years old!

Secular Bull Markets are regularly interrupted by negative periods (not bear markets), which begin when an Index (for example the Standard & Poor 500 - SPX) falls below its 200-week Moving Average (200wMA - pink line) and end when the Index rises above the 200wMA. As the chart below indicates, the current Secular Bull Market began in March 2009 when the SPX closed at 683.38 (A). Since that low and the February 2020 high (G) the SPX had four major up-legs interrupted by three negative periods. The first up-leg (A-B) appreciated over 100%, followed by a 21.6% decline to 1075 (B-C); a 98.6% rise to 2135 by July 2015 (C-D) gave way to a 15.2% loss (D-E); a rise of 62.5% to September 2018 (E-F) was followed by a decline of 20.2% (F-G); and a 45% rise (G-H) brought the Index to a high of 3394 on February 19th, 2020 (H).

This move was suddenly interrupted by another negative period, but of much larger magnitude, a "Flash Crash" that resulted in a 35.4% decline in the SPX and a 37.8% decline in the S&P/TSX Composite Index (TSX). Despite the extremely negative sentiment and the consensus that "the world has come to an end", our forecast, which suggested that it was a "momentary problem", was fulfilled by a relentless up move that began March 23rd and, as of December 31st, brought the SPX and the TSX to 3758 and 17,433, a 71.4% and a 56.0% rise respectively.

Why does a Secular Bull Market last 25 or more years? Because it takes time for those who experienced the previous bear market (most recently from 2000 to 2009) to change from Bears to Bulls (this occurred after 2018), and because it takes numerous years for a new generation (and new funds) to enter the market. Those who have not experienced the previous bear market and have only seen the market climbing to new all-time highs, have no fear, become instant bulls and drive the market higher and higher. After 12 years of bullish activity, we are getting closer to this point, but we are not there yet.

I will have more to say about 2021, but for now let's look at the short-term outlook. The relentless rise since last October, probably the result of buying ("window dressing") by portfolio managers who held overwhelmingly large cash positions; and the lack of "tax selling" by those who already booked losses at the March low, is likely to give way to another "negative period" closer to the end of January. It could end by mid-February, and give way to new all-time highs. Stay tuned.

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