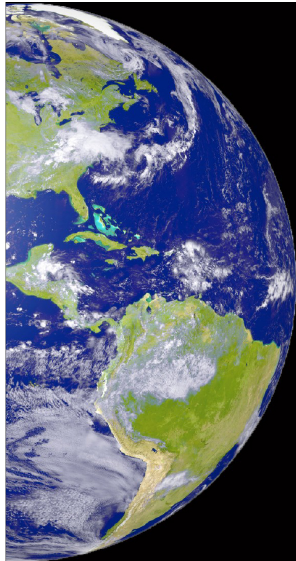

March, 2018

THE GLOBAL INVESTMENT PULSE

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STOCK MARKET CORRECTIONS: TWO METHODS TO MEASURE HOW LONG THEY ARE

By James J. Holtzman, CFP®, Legend Financial Advisors, Inc.® and EmergingWealth Investment Management, Inc.®

The S&P 500 Index (SPX) reached its peak on January 26th of this year. The initial stock market correction lasted through February 8th. The decrease was 10.1%. Since then, the stock market initially surged and then declined again before suffering several up and down daily movements. On March 28th, the S&P 500 finished -8.98% below its January 26th peak.

Stock Market Correction, *continued on page 10*

WHAT'S GOOD FOR EQUITIES IN THE NEW TAX LAW

By Diane M. Pearson, CFP®, PPC™, CDFA®, Legend Financial Advisors, Inc.® and EmergingWealth Investment Management, Inc.®

Using a bottom-up approach, UBS has estimated the impacts of major tax provisions in the new tax law, including both foreign and sector specific items. They calculate that a 21.0% corporate tax rate would boost the Standard & Poor's (S&P) 500 Earnings Per Share (EPS) by 9.1%, with reductions from foreign (-1.7%) and sector-specific (-0.5%) income tax provisions. Firms, as a result, will have a strong incentive to buy back stock (their own shares) to offset the 2018 headwinds. Similar to after the 2004 tax holiday, when more than $300 billion was brought back into the U.S., UBS expects a surge in stock buybacks ($350 billion plus which approximates 1.5% plus of market capitalization) and Mergers & Acquisitions, as well as a sizable pickup in corporate spending and dividends. They believe full expensing of capital expenditures would boost free cash flow by 2.0% and further support a very positive corporate spending backdrop.

Source: This article was excerpted from "Laughing All The Way", by Blaine Rollins, CFA, 361 Capital, LLC, (*Weekly Research Briefing*, December 18, 2017), www.361capital.com

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PULSE

UPCOMING INVESTMENT WEBCAST

"Fight Rising Interest Rates! Investing In Variable Rate Debt Investments!"

Presented by Louis P. Stanasolovich, CFP®, CCO, CEO and President of Legend Financial Advisors, Inc.® and EmergingWealth Investment Management, Inc.®

Wednesday, April 11th at 7:00 p.m. Eastern Time

Thursday, April 19th at Noon Eastern Time

Lou Stanasolovich, CFP®, is a winner of over 35 major national "Best Advisor" type awards and is the CCO, CEO and President of Legend Financial Advisors, Inc.® and EmergingWealth Investment Management, Inc.® (See Lou's Bio on page 2).

Registration is free. Please feel free to invite relatives, friends, colleagues, etc. to attend. The Webcasts will be recorded and can be viewed under "Archived Webcasts" along with previous Webcasts at the following link: **www.legend-financial.com/financialwebcasts**. All slides for each previous Webcast are also available.

INVESTMENT SHORTTAKE VIDEOS

"Timing The Stock Market Utilzing The Golden Cross/Death Cross Chart"

Legend Financial Advisors, Inc.® has launched a new video series entitled "Investment ShortTakes".

These videos were created to help viewers to better understand investment issues that are or will be affecting their investments and/or portfolios. Each video will contain a few slides at most and will be approximately 5 to 10 minutes in length.

Missed any of our previously sent videos? All of the videos can still be viewed by going to the following Website:
www.legend-financial.com/investment-short-takes

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1. Legend is a Non-Commission, Fee-Only, Fiduciary advisory firm. Fee-Only means Legend is compensated exclusively by client fees. Unlike Legend, fee-based advisors and brokerage firms have numerous conflicts of interest due to the fact that they receive commissions.

2. Members of Legend's Financial Advisory Team have been selected by National Publications such as Worth, Medical Economics and Barron's more than 60 times as "The Best Financial Advisors In America".

3. Unlike most advisory firms and all brokerage houses, Legend and its advisors have chosen to be governed by the Fiduciary Standard of Law. Fiduciaries are required to work in their clients' best interests at all times.

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5. Legend emphasizes low-cost investments where possible that are allocated and traded in an income tax-efficient manner.

ABOUT
EMERGINGWEALTH INVESTMENT MANAGEMENT, INC.®

EmergingWealth Investment Management, Inc.® (EmergingWealth), is the sister firm of Legend Financial Advisors, Inc.® (Legend) and is a Non-Commission, Fee-Only Securities and Exchange Commission (SEC) registered investment advisory firm. EmergingWealth provides Investment Management services to individuals as well as business entities, medical practices and non-profit organizations whose wealth is emerging. All investment portfolios are sub-advised by Legend. Both Legend and EmergingWealth share a common advisory team, Investment Committee and Fee Schedule.

LOUIS P. STANASOLOVICH, CFP®, EDITOR

Louis P. Stanasolovich, CFP® is founder, CCO, CEO and President of Legend Financial Advisors, Inc.® (Legend) and EmergingWealth Investment Management, Inc.® Lou is one of only four advisors nationwide to be selected 12 consecutive times by Worth magazine as one of "The Top 100 Wealth Advisors" in the country. Lou has also been selected 13 times by Medical Economics magazine as one of "The 150 Best Financial Advisors for Doctors in America", twice as one of "The 100 Great Financial Planners in America" by Mutual Funds magazine, five times by Dental Practice Report as one of "The Best Financial Advisors for Dentists In America" and once by Barron's as one of "The Top 100 Independent Financial Advisors". Lou was selected by Financial Planning magazine as part of their inaugural Influencer Awards for the Wealth Creator award recognizing the advisor who has made the most significant contributions to best practices for portfolio management. He has been named to Investment Advisor magazine's "IA 25" list three times, ranking the 25 most influential people in and around the financial advisory profession as well as being named by Financial Planning magazine as one of the country's "Movers & Shakers" recognizing the top individuals who have done the most to advance the financial advisory profession.

THE CRASH OF 1987: A GOOD LESSON IN HOW PANIC RUINS INVESTMENT RETURNS

By Louis P. Stanasolovich, CFP®, CCO, CEO and President of Legend Financial Advisors, Inc.® and EmergingWealth Investment Management, Inc.®

About 30 years ago, specifically on Monday, October 19, 1987, the Dow Jones Industrial Average (DJIA) plunged 508 points - a whopping 22.6%! Later that day, became known as Black Monday. There was panic in the streets that day and the week that followed. In that one week period, approximately 5.0% of the monies in equity mutual funds were withdrawn from these equity funds. Imagine in today's markets when you can instantly liquidate Exchange-Traded Funds and Notes in a few minutes what equity withdrawals from the equity markets would be.

Back then, it seemed as if virtually everyone was instructing their brokers and to a lesser degree, their advisors, to sell 100.0% of their stock funds and move the proceeds into bonds and/or money market funds. By doing so though, they locked in their losses, in effect by eliminating their ability to earn equity-like returns when the stock market rebounded often for years to come.

When investors make their investment decisions based on emotions, results often are ugly. Back in 1987, had these investors been patient or soon returned to their equity investments once the recovery began, they would have seen that the Dow Jones Industrial Average climbed almost 12.0%, and 27.0% in the following two years.

Since the current Bull Market is more than eight years old now, some investors are on edge that another crash could happen at any moment. Currently, that appears unlikely. Generally, to have a crash, economically speaking in most cases a recession needs to be in place. This is when most Bear Markets occur.

However, in 1987, we were not in a recession, though the U.S. currency was falling in value due to a dispute with the G7 nations over the U.S. Dollar's value while inflation was rising. These events, coupled with programmed trading, propelled the stock market downward.

As a result of the 1987 crash, some people vowed to never invest another dime in a stock or stock mutual fund. Others moved all their money to a bank. While money is generally secure in a bank, there's a price to pay for that safety - a low return that underperforms inflation. Any knowledgeable investor knows all you're doing is guaranteeing yourself a loss!

After the Black Monday 1987 crash, many preventative measures were put into place. The most prominent of which is what is commonly known as stock market "Circuit Breakers".

These were originally called Stock Market Trading Curves. The "Circuit Breakers" are intended to bring trading to a halt when there is a large market downturn. Over the years, Circuit Breaker rules have been tweaked so that today, trading will stop when the stock market declines 7.0%, 13.0%, and 20.0%. These are referred to as Level One, Level Two, and Level Three Circuit Breakers, respectively. Each day, the levels are recalculated using the prior day's closing price of the S&P 500 Index.

If a sell-off triggers a Level One or Level Two Circuit Breaker before 3:25 p.m., trading is halted for 15 minutes. A similar market decline at or after 3:25 p.m. would not halt market-wide trading. If a Level Three Circuit Breaker were triggered at any time during the day, though, it would halt trading for the rest of the day's session. The hope is that, with Circuit Breakers in place, investors will catch their breath, reassess the situation and perhaps, in come cases, refrain from selling for the sake of selling.

As a result of the 1987 stock market crash, other measures were adopted by mutual funds to prevent the forced selling of 1987. These included many mutual funds obtaining lines of credit from banks in order to have liquidity to meet redemptions by investors. Usually these lines of credit approximated 5.0% of the assets in the fund.

Another rule authorized by the Securities and Exchange Commission was the adoption of "Redemptions In-Kind" rule. This rule allows a mutual fund to redeem their shares in-kind (All the shares held in a fund in proportion to that investor's ownership amount, i.e., the investor will receive stock certificates of every security held within the fund.) to investors who own more than $500,000.00 in a mutual fund. This theoretically can eliminate a mutual fund from selling off large amounts of shares, thereby pushing down the price of those underlying shares.

Today, this rule, in theory, can be more easily triggered because shares of mutual funds are usually bought through brokerage firms (Ex. Schwab, TD Ameritrade, Fidelity, etc.) where shares are owned through "Omnibus Accounts" in tens of millions, and even hundreds of millions in some circumstances.

However, 2000 to 2002, when the Tech crash occurred, the in-kind distribution rule could have been used when many growth-oriented funds were trying to liquidate their securities to meet redemptions, many funds, instead, chose to sell which depressed securities' prices even further. The rule was not used and many mutual funds ended that period with far less assets than they had prior to the downturn. Furthermore, investors who held on to the mutual funds through the downturn ended up with far greater tax bills than would have normally been the case due to the huge amount of selling.

Fortunately, there has never been an in-kind distribution by a mutual fund. Obviously, most individuals would not want to own hundreds or even thousands of shares of individual stocks. Obviously as well, a mutual fund that redeems shares in-kind in the manner described above, would face a public relations nightmare.

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FED WATCH

INTEREST RATES AS OF MARCH 29, 2018

Fed Funds Rate Range: 1.50 - 1.75

Fed Discount Rate: 2.25

2018 UPCOMING FED MEETINGS SCHEDULE

May 1-2	September 25-26
June 12-13	November 7-8
July/August 31/1	December 18-19

"QT" INSTEAD OF "QE"

By Louis P. Stanasolovich, CFP®, CCO, CEO and President of Legend Financial Advisors, Inc.® and EmergingWealth Investment Management, Inc.®

Since the end of the stock market downturn of late 2007 to early 2009, the Federal Reserve Board (Fed) put into place a program called "Quantitative Easing" commonly known as "QE". The Fed instituted this program to flood the markets by buying U.S. Treasury securities and other similar investments to push down interest rates to levels near zero. In recent months, the Fed has ever so slowly backed off of QE and has started to initially stop reinvesting in the U.S. Treasury securities and will now begin the long process of selling those securities. This will have an effect of eventually raising interest rates. This process is known as "Quantitative Tightening" or "QT".

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FED INTEREST RATE HIKING CYCLES SINCE WORLD WAR II

There Have Been 13 Fed Hiking Cycles, 10 Landed In Recession!

First Hike	Last Hike	Result
October 1950	May 1953	Recession
October 1955	August 1957	Recession
September 1958	September 1959	Recession
December 1965	September 1966	Soft Landing
November 1967	June 1969	Recession
April 1972	September 1973	Recession
May 1977	March 1980	Recession
August 1980	December 1980	Recession
March 1983	August 1984	Soft Landing
January 1987	May 1989	Recession
February 1994	February 1995	Soft Landing
June 1999	May 2000	Recession
June 2004	June 2006	Recession
December 2015	???	???

As of: March 16, 2018

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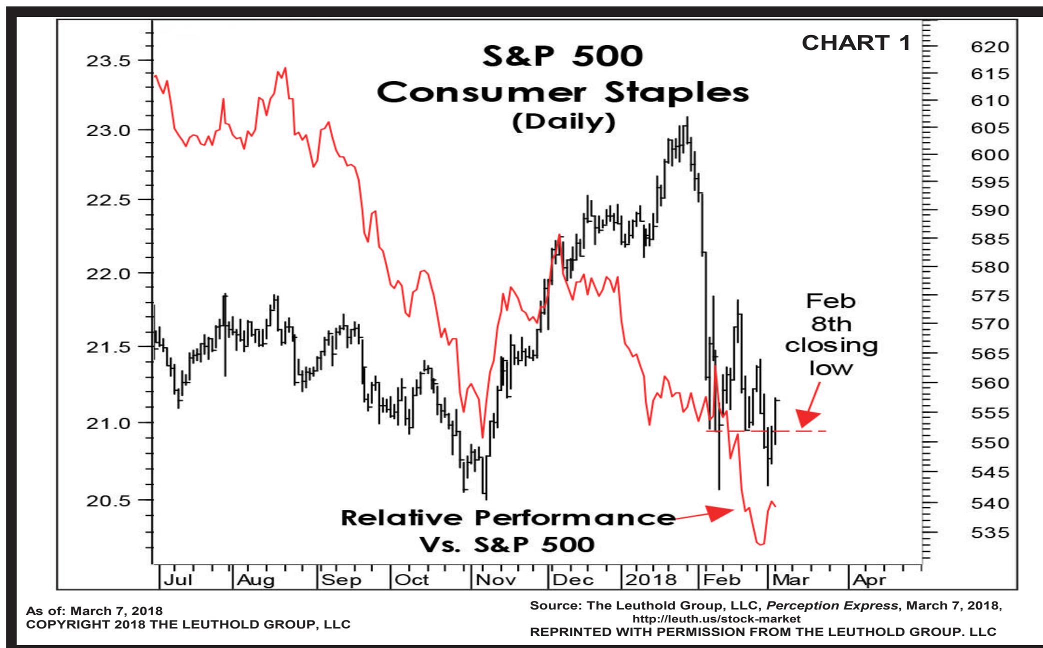
WHAT'S AILING CONSUMER STAPLES?

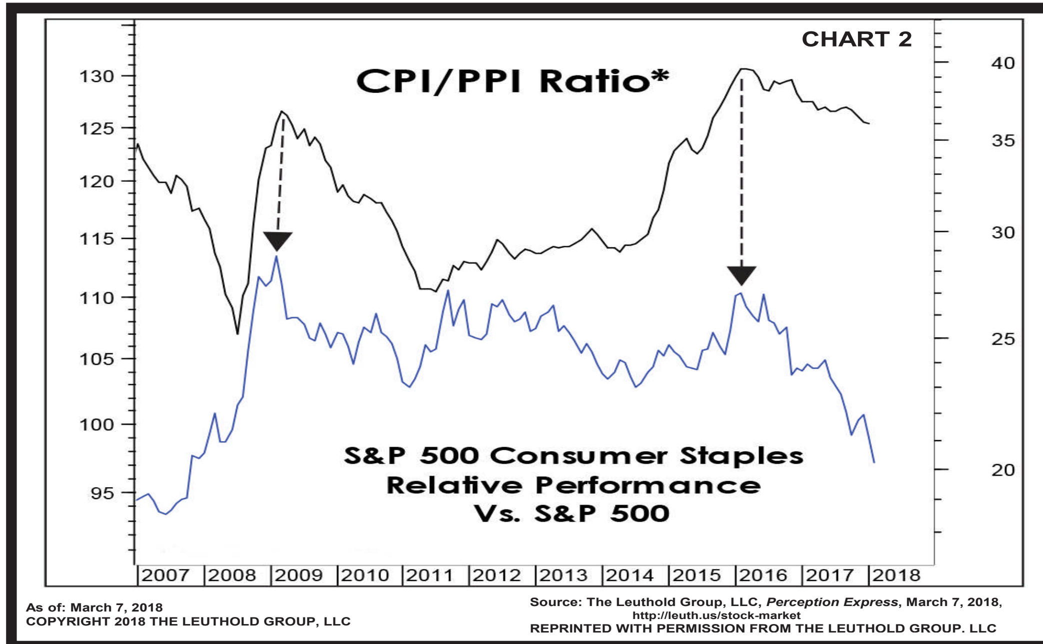
By Doug Ramsey, CFA, CMT, Chief Investment Officer, The Leuthold Group, LLC

For the first time in this bull market, defensive stocks failed to provide any semblance of defense during a market correction (Chart 1, to the top right). In this cycle's eight prior corrections occurring from 2009 through 2016, the S&P 500 Consumer Staples' loss averaged about one-third the size of the S&P 500's. This time, however, Consumer Staples moved almost point for (percentage) point with the S&P 500 during the main correction down-leg, and then undercut its February 8th correction low in early March before a bounce.



This version of Consumer Staples' behavior is unusual and yet another sign of "climate change." While investors think of the sector as a low volatility ore, recession-resistant sector as compared to the S&P 500. It appears there are other factors at play though. In particular, while the headline rate of consumer price inflation has remained subdued, relative inflation trends—specifically, between the Consumer Price Index (CPI) and the Producer Price Index (PPI)—have quietly become less favorable for manufacturers of consumer goods.

Chart 2, to the middle right shows a sharp drop in the CPI/PPI ratio in the last two years, suggesting consumer goods producers are unable to lift prices as rapidly as their raw materials costs are rising (and a steady uptrend in wage inflation is contributing to this profit margin pinch). Note that the two peaks in the CPI/PPI ratio in the last ten years coincided almost perfectly with the relative strength peaks in the Consumer Staples sector.



The last decade's linkage between relative inflation and relative sector performance is hardly an exception. All of Consumer Staples' excess returns over the last 90 years have been earned in environments in which consumer price inflation exceeded producer price inflation (Table 1 to the bottom right), signifying an ability to expand profit margins. Alternatively, negative CPI-PPI inflation spreads (like today's) have been associated with mild underperformance of Consumer Staples. Although inflation trends are currently hostile, it causes one to wonder whether this classically defensive sector is now too cheap to pass up.

TABLE 1

Inflation Environment	S&P 500 Annualized Return	Consumer Staples Ann. Return
CPI - PPI Spread Positive	**+7.6 %**	**+12.1%**
CPI - PPI Spread Negative	**+6.5 %**	**+5.6 %**

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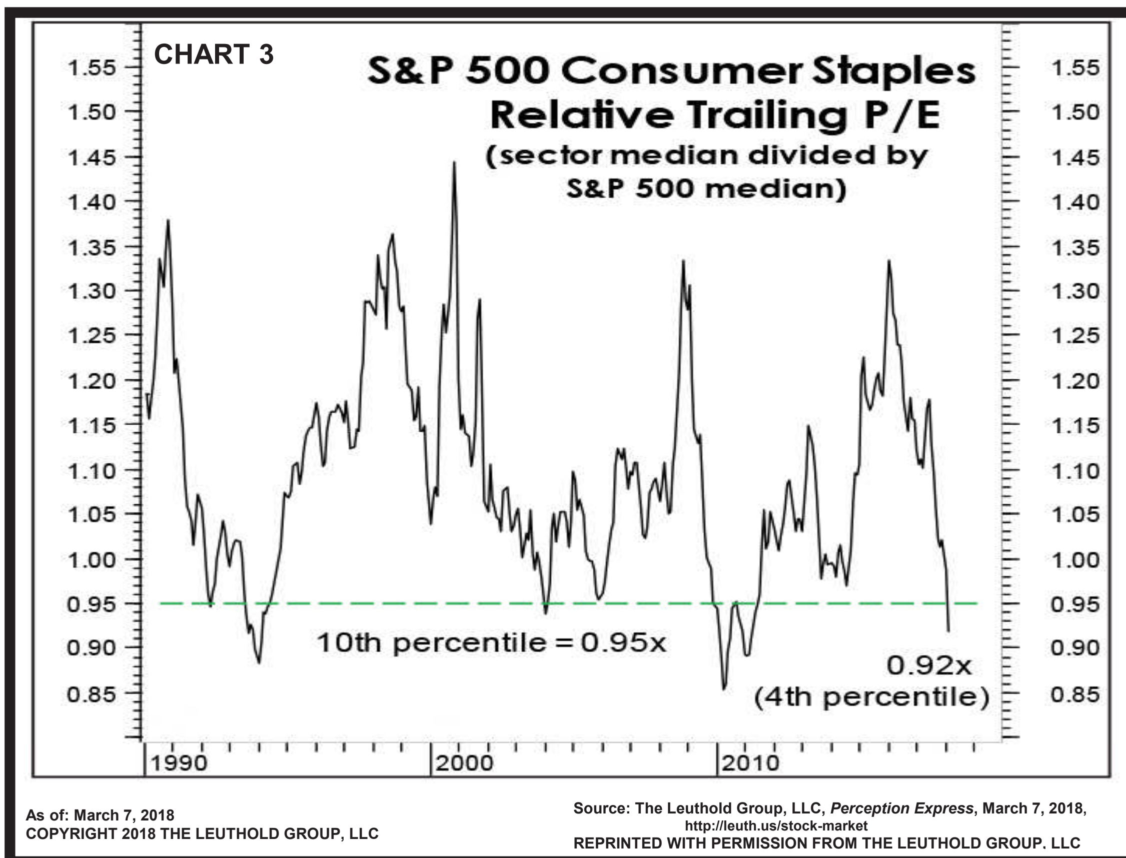
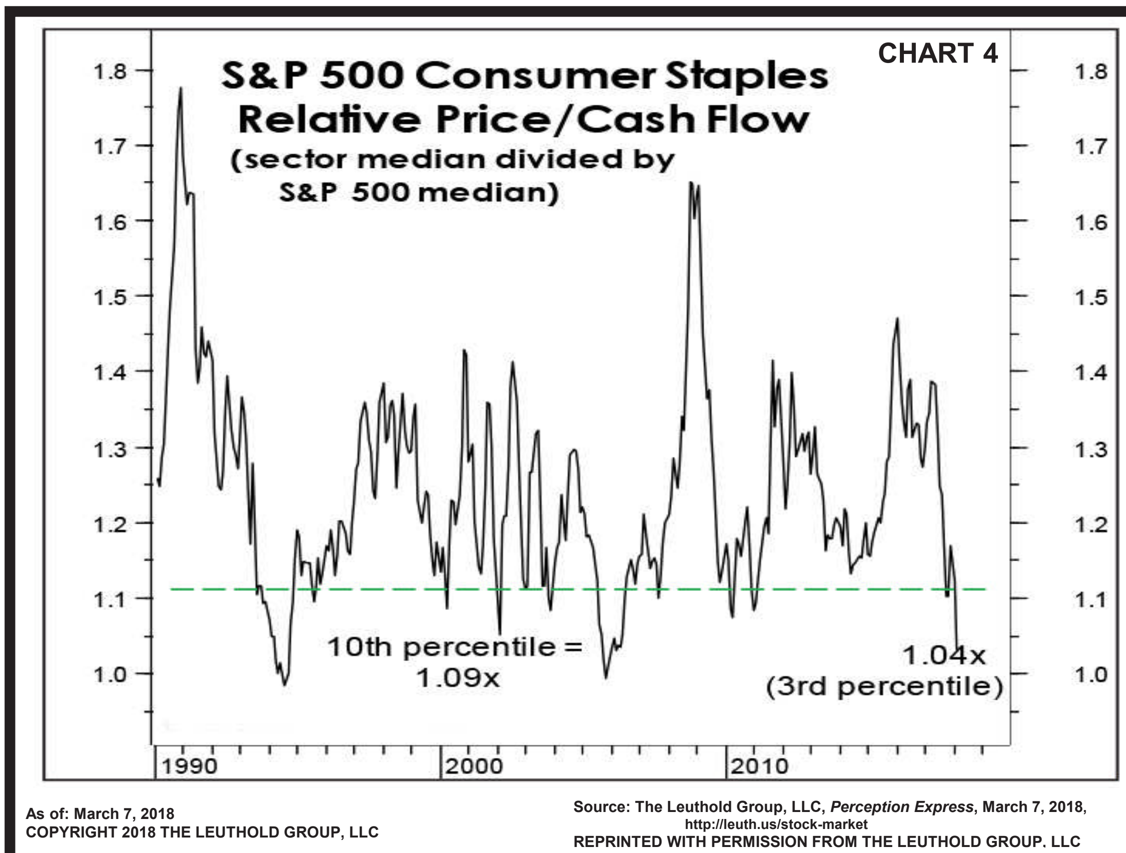
Consumer Staples, *continued on page 6*

Consumer Staples, *continued from page 5*

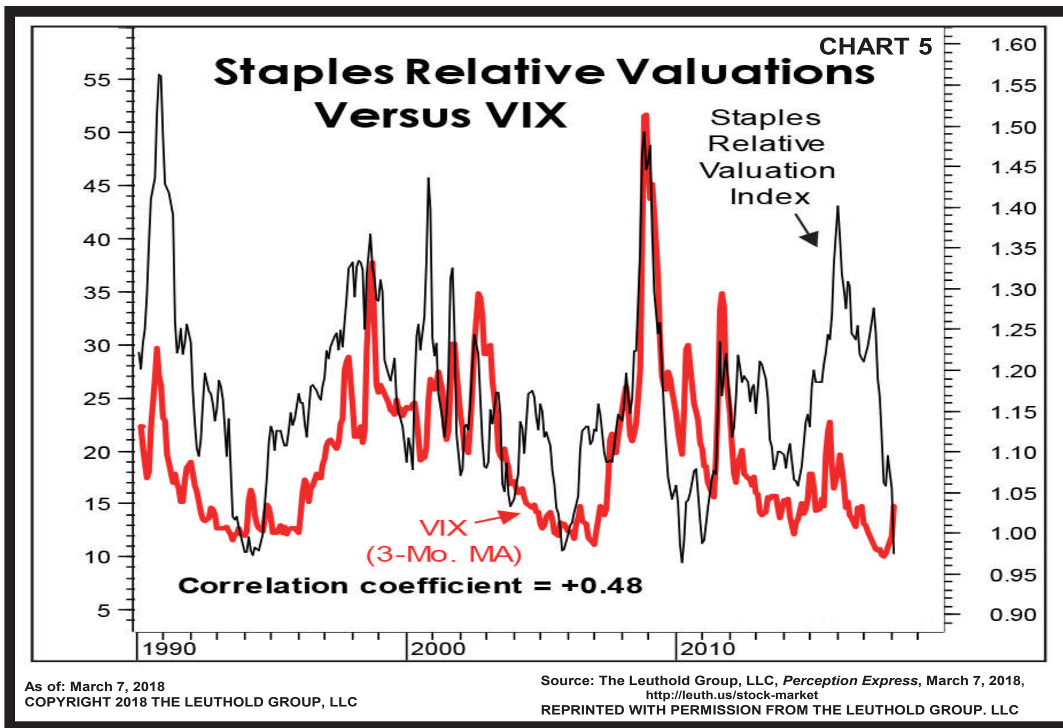
Rallies as powerful as the one over the last two years sometimes disguise massive relative moves among sectors. Consumer Staples' underperformance (and resulting revaluation) is a case in point. On the basis of Relative P/E and Relative Price/Cash Flow (Charts 3 & 4, below), sector valuation readings have sunk from near the 90th percentile at the 2016 stock market low to the 4th and 3rd percentiles today, respectively. This radical repricing probably reflects both a "flight from safety" and a growing recognition of the CPI-PPI margin squeeze discussed previously. While the margin squeeze is not expected to end any time soon, it appears that today's relative valuations (Chart 5 on the top of page 12) might already overcompensate for that expectation.





Consumer Staples, *continued on page 7*

Consumer Staples, *continued from page 6*



Source: This article was excerpted from "What's Ailing Consumer Staples?", by Doug Ramsey, CFA, CMT, Chief Investment Officer, The Leuthold Group, LLC, (*Perception Express*, March 7, 2018), http://leuth.us/stock-market

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PULSE

U.S. SMALL CAP TO U.S. LARGE CAP HISTORICAL PRICE TO EARNINGS (P/E) RATIO
U.S. Small Cap Valuations More Expensive Than U.S. Large Stocks By 2.0%

Based on Non-Normalized
Trailing Operating Earnings
Small Cap: Leuthold 3000 Small Cap 21.09 x
Large Cap: Leuthold 3000 Large Cap 20.75 x

Small Cap P/E Premiums
Small Cap P/E > Large Cap P/E

Median Premium of 3%

Small Cap P/E Discounts
Small Cap P/E < Large Cap P/E

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120
110
100
90
80
70
60

1983 1986 1989 1992 1995 1998 2001 2004 2007 2010 2013 2016

As of: March 7, 2018

Source: The Leuthold Group, LLC, *Perception Express*, March 7, 2018, http://leuth.us/market-internals
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WHAT YIELD "KILLS" THE SECULAR (LONG-TERM) BOND BULL?

By Doug Ramsey, CFA, CMT, Chief Investment Officer, The Leuthold Group, LLC

Excerpted by Diane M. Pearson, CFP®, PPC™, CDFA®, Legend Financial Advisors, Inc.® and EmergingWealth Investment Management, Inc.®

Bond market strategists remain hell-bent on identifying the key yield level on 10-year Treasuries at which one can finally declare an end to the 1981-20XX Secular (long-term) Bond Bull Market. Does such a yield level exist?

The catch is that the "Bull Market Killer" yield is a moving target. It's based on the month-end level that would result in failure of last October's Very Long Term (VLT) "Buy" signal on 10-year T-bonds. A February month-end yield of 3.16% would result in a fresh upturn in VLT while it is still in "overbought" territory—an event that hasn't happened since the Secular (long-term) Bond Bull Market began in the fall of 1981 (Chart 1, top right).

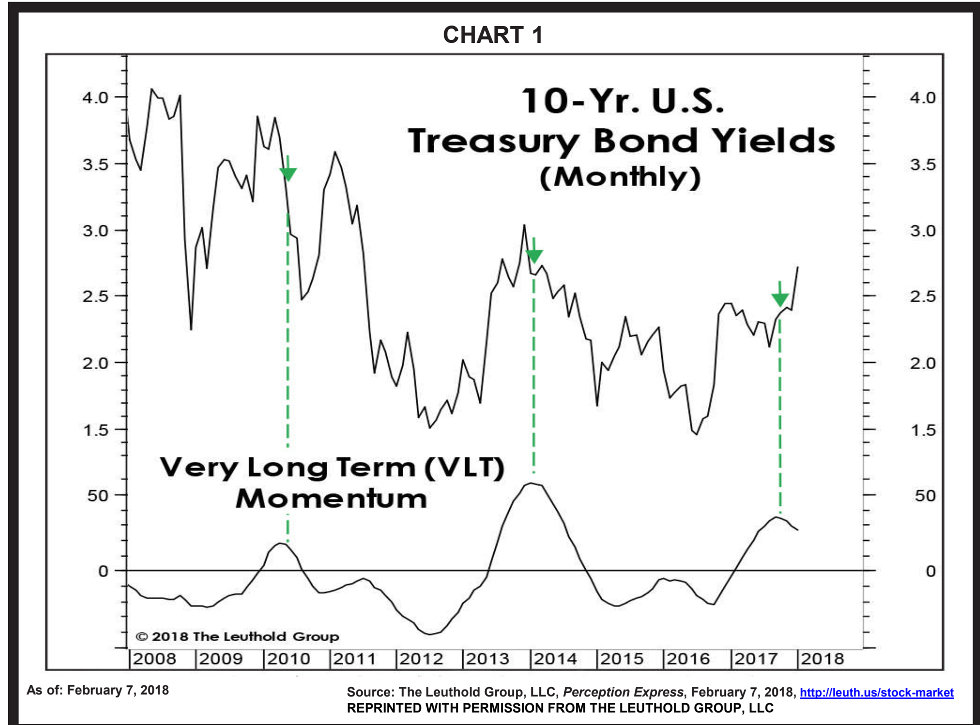
Table 1, bottom right, reviews the past success of VLT "Buy" signals on 10-year T-bonds. The signals have been excellent—but remember, only those from years in which the Secular (long-term) Bond Bull Market has held clout are displayed. The Leuthold Group's November 2016 Green Book provides "full disclosure" on the failed signals from the Secular (long-term) Bond Bear Market era of 1946-1981, and it isn't pretty.

So far, the market's initial response to the October "Buy" can't be reassuring to bond market bulls; yields are already 40 basis points above the 2.38% level prevailing on the date of the signal. However, a true "aborted" "Buy" signal won't occur unless the VLT curve turns upward while it's still above the zero line. Again, the yield level at which this occurs will change slightly from month to month.

Finally, while labeling of yields' Secular (long-term) Market movements provides intellectual entertainment, this decade's bond market math is so formidably bad that it almost doesn't matter. Suppose a value-oriented market pundit had called a premature end to the Secular (long-term) Bond Bull Market in 2011—five years before the all-time low in yields recorded in July 2016. Bad timing, right? Maybe from the point of view of a levered speculator, but not for an investor. Despite all that's gone right for bond investors in recent years—including low and stable inflation, muted wage pressures, no competition from foreign yields, and artificial (i.e., QE-related) Federal Reserve demand—real (after inflation) total returns to 10-year Treasury bonds (Chart 2, on page 9) have amounted to zero over the last 6 1/4 years!

For investors, the Secular (long-term) Bear Bond Market is already here. Let's hope it doesn't last as long as the 1946 to 1981 Secular (long-term) Bear Bond Market did.

CHART 1



As of: February 7, 2018

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TABLE 1

Date of VLT Bond BUY Signal	10-Yr. Yield Level At Signal	Chg. In 10-Yr. Yield 6 Mos. Later	12 Mos. Later	18 Mos. Later
October 31, 1981	14.63 %	-76	-392	-436
August 30, 1984	12.79	-88	-251	-466
January 30, 1988	8.26	86	75	-44
December 31, 1990	8.08	16	-137	-94
January 31, 1995	7.60	-115	-200	-80
April 30, 1997	6.72	-88	-104	-208
March 31, 2000	6.03	-23	-110	-143
August 31, 2004	4.13	23	-11	42
September 29, 2006	4.64	1	-5	-119
May 31, 2010	3.31	-50	-26	-123
February 28, 2014	2.66	-31	-66	-45
October 31, 2017	*2.38*	*?*	*?*	*?*
Average		**-31**	**-112**	**-156**

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Source: This article was excerpted from "What Yield "Kills" The Secular Bond Bull?", by Doug Ramsey, CFA, CMT, Chief Investment Officer, The Leuthold Group, LLC, (*Perception Express*, February 7, 2018), http://leuth.us/stock-market

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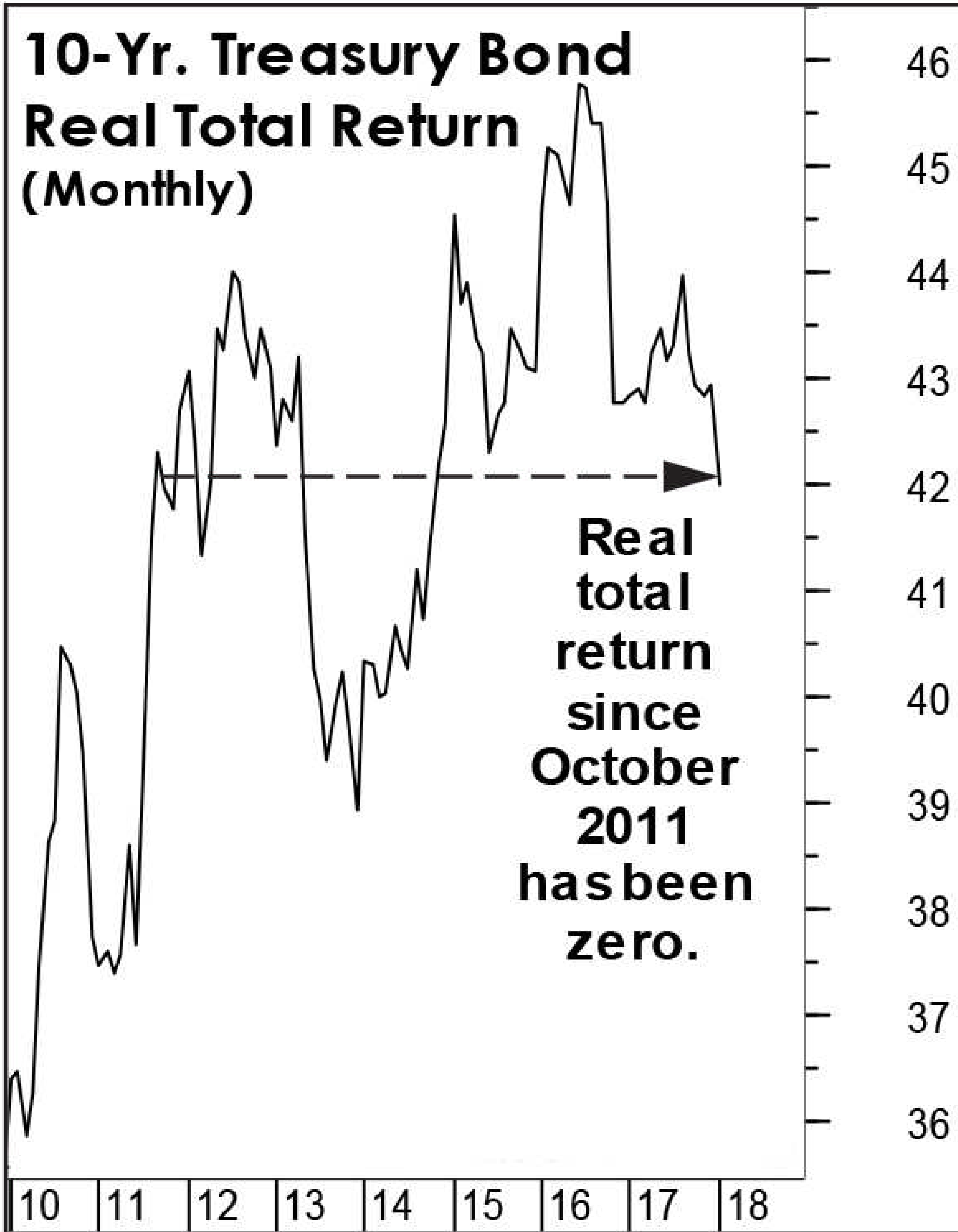
Secular Bond Bull, *continued on page 9*

Secular Bond Bull, *continued from page 8*

CHART 2



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Two Methods For Calculating Stock Market Corrections:

The first method of calculating a stock market correction entails the method that many stock market authorities/investment professionals believe is accurate. That method is that a correction ends when the previous stock market peak has been reached after a decline (In other words, the peak to the bottom and then the old peak is reached.).

For the four most recent stock market corrections since 2009, but prior to this year, the average length of a correction was less than 200 days. The longest correction lasted 417 days, from May 2015 to July 2016, as calculated from Bloomberg's Investment Research Service. The average decline from top to bottom approximated 14.0%.

Under this calculation method, 2018's stock market correction that began on January 26th, is still in a correction. This correction is only 61 days old and not over because it has not reached its previous peak through March 28th.
The second method of calculating the length of corrections is to measure only the amount of time from the peak to the bottom. Using the same four corrections under this calculation method, the corrections lasted an average of 106 days[1]. The longest correction was 157 days[1], which occurred in 2011[1]. The average decrease approximated 15.0%[1]. By contrast, this year's initial correction is by far the shortest correction (not included in the four corrections), which lasted only 14 days (10 trading days) by this measurement standard.

Several common indicators utilized by investment professionals do not point toward a Bear Market in the near future. However, it would appear, based on valuation and deteriorating fundamentals that a Bear Market may occur in the next few years. Increasing profits above today's levels would likely postpone the start of the next Bear Market even further into the future. As it stands now, it appears the sky is not going to fall… yet.

We Are Almost Halfway There:

By Bear Market definition as referenced below, while the 2018 correction is almost halfway to a Bear Market, we are still not in a Bear Market. Bear Markets usually occur in conjunction with recessions. Given that the economy is still strong, the Federal Reserve Board (Fed) is raising interest rates and corporate earnings continue to grow at strong rates, it appears that a recession is not near. Besides those facts, Bear Markets definitionally state that a decline of at least 20.0% is necessary to officially reach a Bear Market.

Footnote:
[1] From Yardeni Research, Inc.

Source: The numerical information from this article was obtained from Bloomberg's Investment Research Service and Yardeni Research, Inc.

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S&P 500 CORRECTIONS DURING THE NINE-YEAR BULL MARKET

Date of Interim High	Date of Correction Low	Percent Loss	Number of Weeks
April 23, 2010	July 2, 2010	-16.0	10
April 29, 2011	October 2, 2011	-19.4	22
April 2, 2012	June 1, 2012	-9.9	9
May 21, 2015	February 11, 2016	-14.2	39
January 26, 2018	February 8, 2018	-10.1	2

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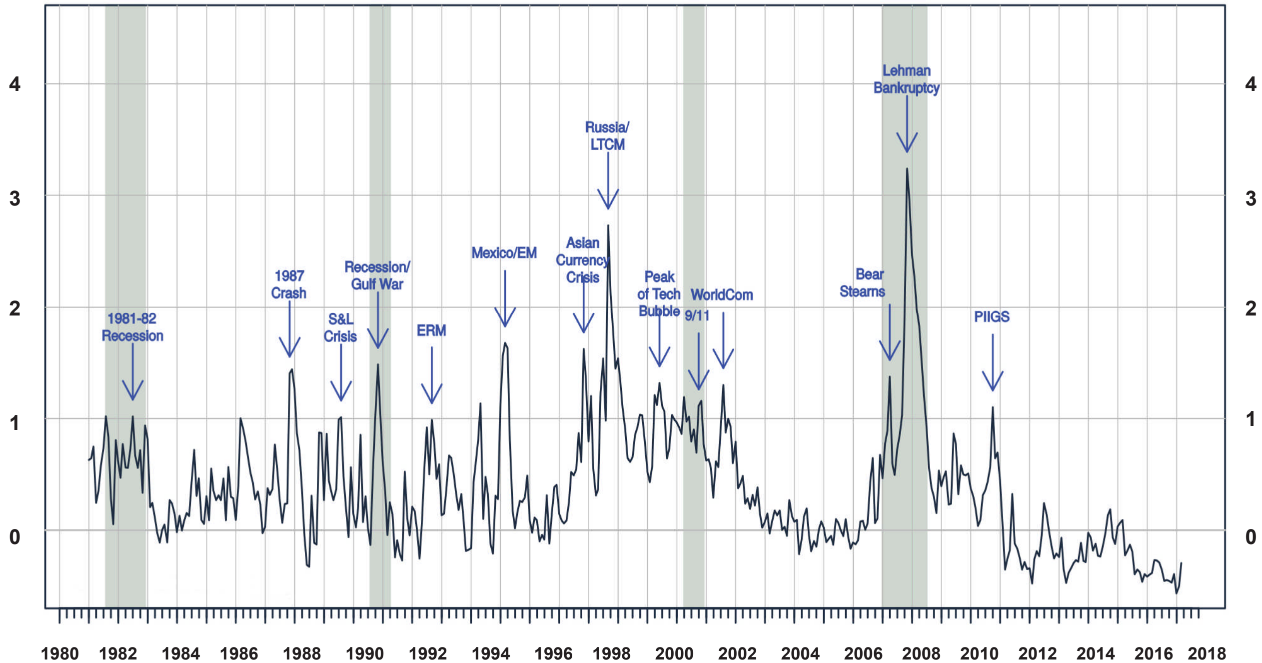
MONTHLY RISK AVERSION INDEX (RAI)

RISK INDEX INCREASES SLIGHTLY-STILL NEAR LOWEST LEVEL EVER

Note: The Risk Aversion Index combines ten market-based measures including various credit and swap spreads, implied volatility, currency movements, commodity prices and relative returns among various high- and low-risk assets.



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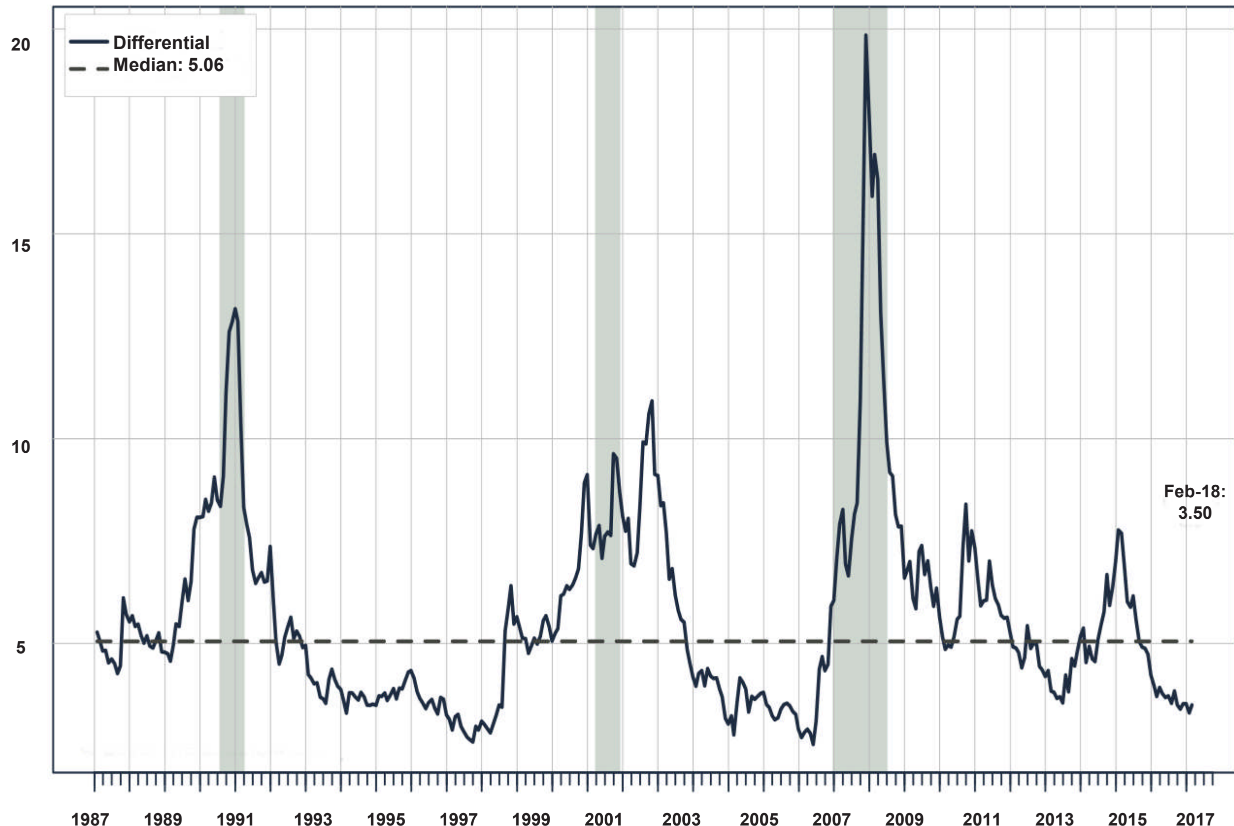
BARCLAYS U.S. HIGH YIELD BOND YIELD MINUS TREASURY BOND YIELD



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2018 YEAR-TO-DATE PERFORMANCE

January 1, 2018 to February 28, 2018
(2 months)

	2018 Year-To-Date
Consumer Price Index (Inflation)	1.00%
90-Day Treasury Bills Index-Total Return	0.25%
Bloomberg Intermediate Term Corporate Bond Index	-1.34%
Barclays Aggregate Bond Index-Total Return	-2.09%
High Yield Corporate Bond Index – Total Return	-1.14%
S&P Leveraged Loan Index – Total Return	1.19%
HFRX Global Hedge Fund Index	-0.04%
S&P 500 Index (U.S. Stock Market)	1.83%
MSCI EAFE Index (Developed Foreign Equities)	0.32%
MSCI Emerging Market Index (Equities)	3.31%
Newedge CTA Index (Managed Futures)	-2.69%
Dow Jones–UBS Commodity Index-Total Return (USD)**	-0.03%
Dow Jones U.S. Real Estate Index-Total Return (USD)**	-9.34%
Gold Bullion	0.66%

As of: February 28, 2018

Compound and Total Returns include reinvested dividends. Newedge Index is equally-weighted.

** USD = U.S. Dollar

Source: Bloomberg Investment Service

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SECULAR BEAR MARKET WATCH

April 1, 2000 to February 28, 2018
(17 years and 11 months)

	Annual Compound Return	Total Return
Consumer Price Index (Inflation)	2.11%	45.44%
90-Day Treasury Bills Index-Total Return	1.55%	31.68%
Barclays Aggregate Bond Index-Total Return	4.88%	135.13%
High Yield Corporate Bond Index – Total Return	8.83%	355.91%
S&P Leveraged Loan Index – Total Return	4.95%	137.85%
HFRX Global Hedge Fund Index	2.53%	56.40%
S&P 500 Index (U.S. Stock Market)	5.40%	156.60%
MSCI EAFE Index (Developed Foreign Equities)	3.99%	101.66%
MSCI Emerging Market Index (Equities)	7.77%	282.42%
Newedge CTA Index (Managed Futures)	4.45%	118.29%
Dow Jones–UBS Commodity Index-Total Return (USD)**	-0.02%	-10.54%
Dow Jones U.S. Real Estate Index-Total Return (USD)**	9.99%	451.36%
Gold Bullion	9.08%	375.36%

As of: February 28, 2018

Compound and Total Returns include reinvested dividends. MSCI Indexes do not include dividends prior to 2002. Newedge Index is equally-weighted.

** USD = U.S. Dollar

Source: Bloomberg Investment Service

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Note: During Secular Bear markets U.S. Stocks have historically returned a little more than inflation or a little less than inflation—plus or minus 1.50%—and generally last between 15 to 25 years. The last Secular Bear market (1966 to 1982) lasted 17 years and underperformed inflation by approximately one-half of one percent per year. The other Secular Bear markets since 1900 were 1901 to 1920 and 1929 to 1949. In both cases, the U.S. Stock market outperformed inflation by approximately 1.50% per year. All of the aforementioned performance numbers are pre-tax.

The performance of the U.S. Stock market so far in the current period (April 1, 2000 to the present) certainly appears to indicate that we are in a Secular Bear market. Long-term returns (over the next 10 years) for the S&P 500 will probably be slightly worse than the last 17 years and 11 months. Current 10 year normalized P/Es (long-term valuations) indicate approximate annual compound returns of slightly less than 3.00% over the next 10 years. Of course during the next 10 years, returns during various periods will be significantly higher and lower than the expected return. For example, the more the stock market rises in the near term, the less returns after that period will be and vice versa.

BULL MARKETS IN THE DOW JONES INDUSTRIAL AVERAGE 1900 TO DATE

Dates	Gain (%)	Duration (Mos.)
August 24, 1921 - August 30, 1929	495.2 %	96
July 8, 1932 - March 10, 1937	371.6	56
→ **March 9, 2009 - January 26, 2018**	**306.5** ←	**107**
October 11, 1990 - July 17, 1998	294.8	93
August 12, 1982 - August 25, 1987	250.4	60
June 13, 1949 - April 6, 1956	222.4	82
November 9, 1903 - January 19, 1906	144.3	26
April 28, 1942 - May 29, 1946	128.7	49
July 30, 1914 - November 21, 1916	110.5	28
October 9, 2002 - October 9, 2007	94.4	60
November 15, 1907 - November 19, 1909	89.6	24
June 26, 1962 - February 9, 1966	85.7	44
December 19, 1917 - November 3, 1919	81.4	22
December 6, 1974 - September 21, 1976	75.7	21
October 22, 1957 - December 13, 1961	75.1	52
October 19, 1987 - July 16, 1990	72.5	33
May 26, 1970 - January 11, 1973	66.6	32
March 31, 1938 - November 12, 1938	60.1	7
August 31, 1998 - January 14, 2000	55.5	16
September 24, 1900 - June 17, 1901	47.8	9
February 28, 1978 - April 27, 1981	38.0	38
October 7, 1966 - December 3, 1968	32.4	26
September 25, 1911 - September 30, 1912	29.1	12
Average	**140.4 %**	**43**
Median	**85.7 %**	**33**

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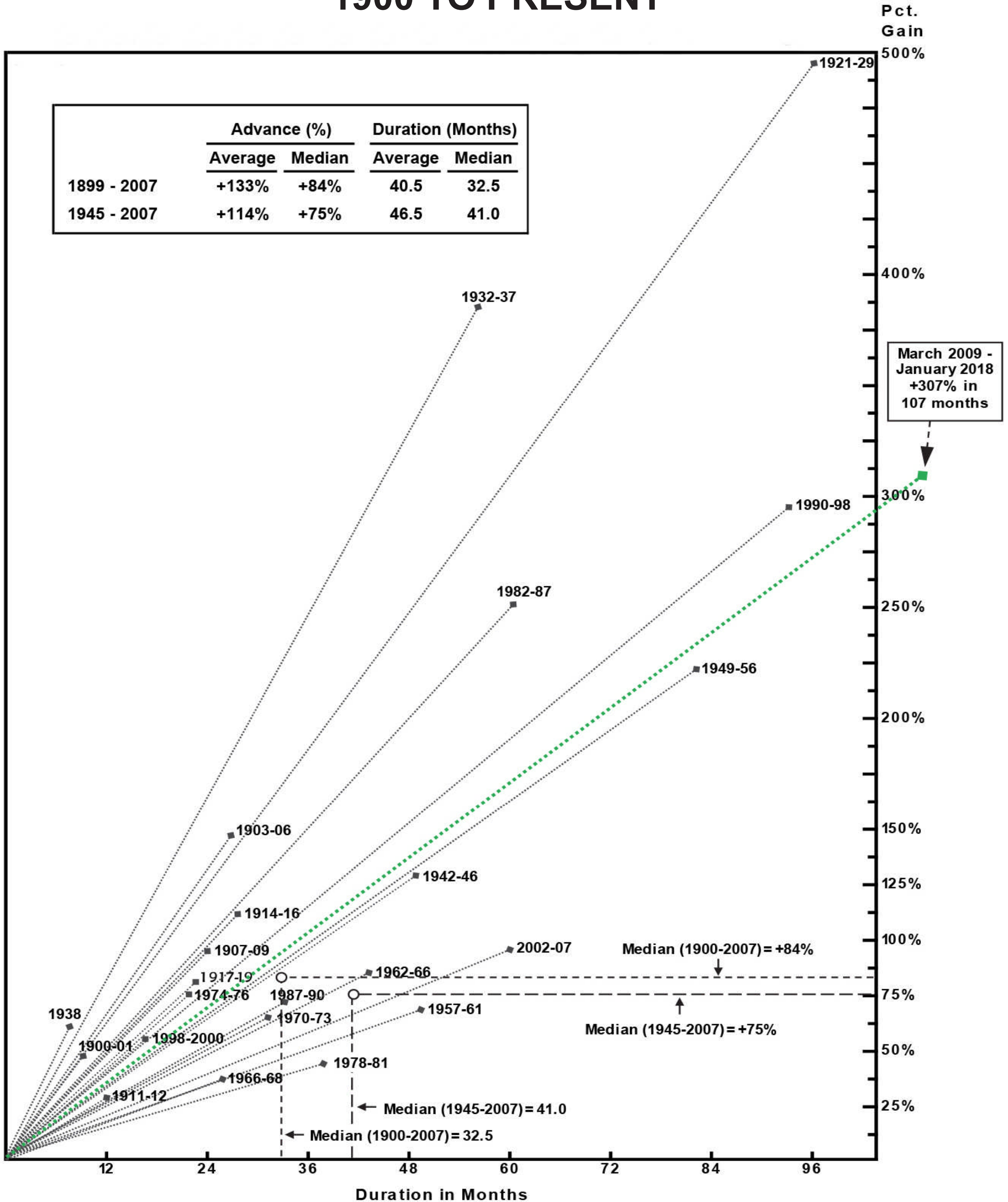
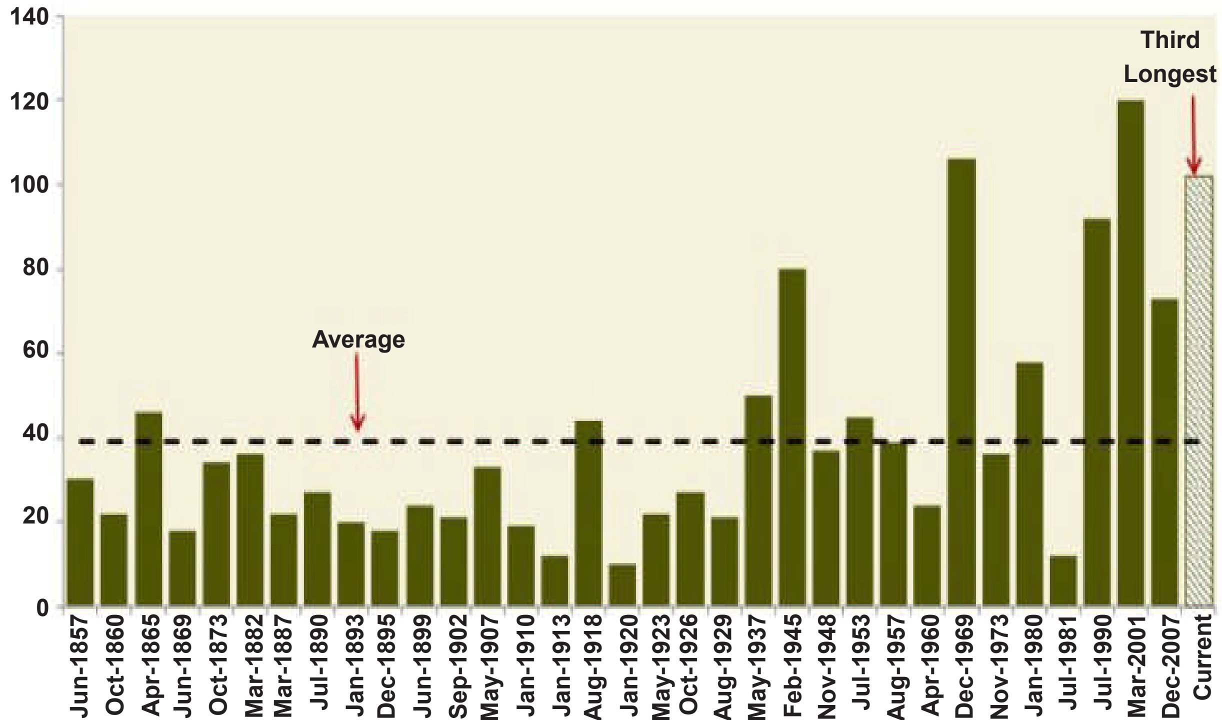


	Advance (%)		Duration (Months)	
	Average	Median	Average	Median
1899 - 2007	+133%	+84%	40.5	32.5
1945 - 2007	+114%	+75%	46.5	41.0

THE U.S. CYCLE IS VERY LATE

United States: Duration of Economic Expansion



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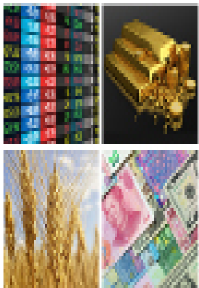

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