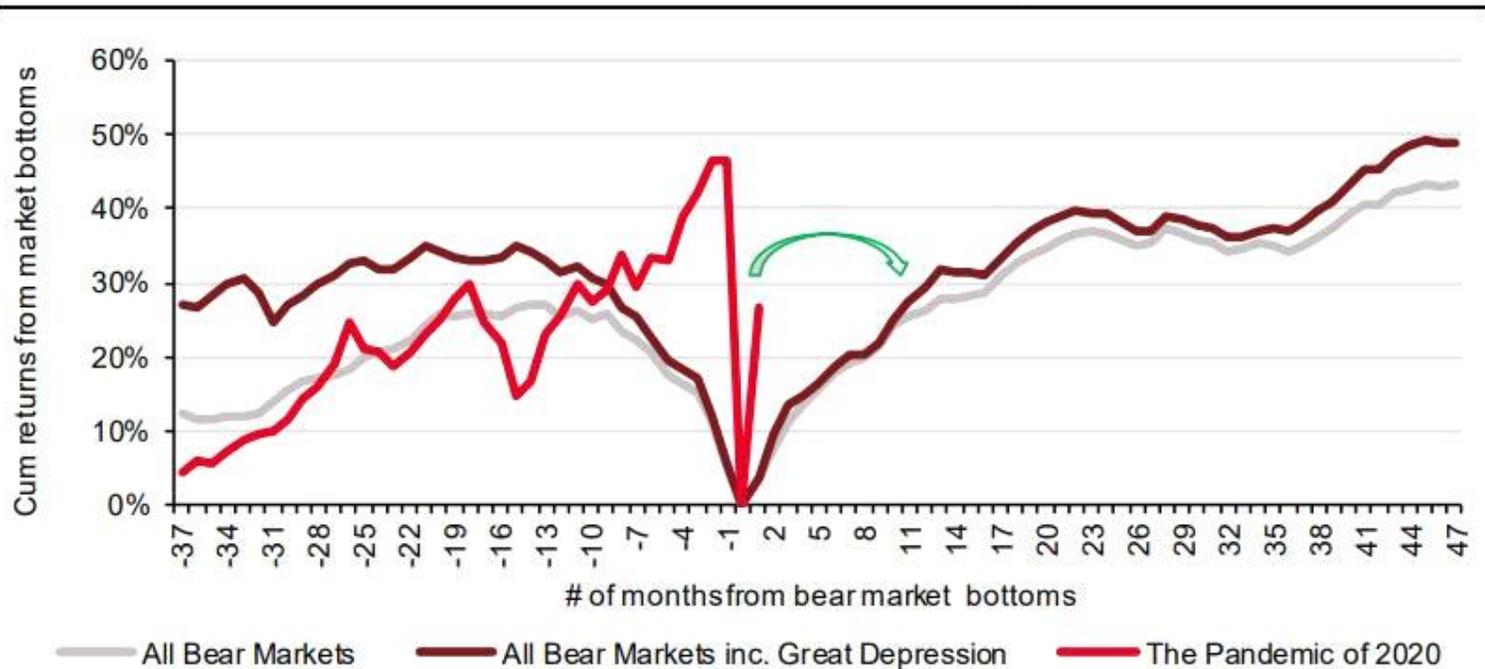


Key Takeaways

We have talked recently about the vigor of the current rally in US equities. The chart of the week (below) is a stark illustration of where we are right now. The gray line (*excluding* the Great Depression) and black line (*including* the Great Depression) look at an average of all bear markets—from peak to trough to recovery—in US stocks from 1870 to the present. The red line shows the current market cycle on the same time scale in “average” months. Obviously, averages smooth out the up-and-down swings in contrast to the current cycle. Nonetheless, unless “this time is different” (there’s that statement again), the shape of this rally appears to be ahead of itself to the tune of about 10 months when compared to the historical “average.”

That suggests a couple of options: 1) the market has backing and filling to do over the balance of the year or 2) the market goes flat through the balance of the year. Lastly, it could be that this time is indeed different and, economic challenges notwithstanding, the Fed has set us free to experience new highs sooner rather than later. As in all things, time will tell.

Cumulative returns from market bottoms – bear markets over the period 1870-2020



Source: SG Cross Asset Research/Equity Quant

Source: <https://www.zerohedge.com/markets/bank-america-buying-stocks-here-only-makes-sense-if-fed-buying-them-too>

CHART OF THE WEEK

May 7, 2020



Kevin Churchill, CFA®, CFP®
Chief Investment Officer

As you know, we remain focused on what we can control. No matter how crazy it may be if we were to achieve new highs in a relatively short timescale (based on the current trajectory), we will focus on proper asset allocation relative to your acceptable risk tolerance. If the rally persists, incorporation of rules-based defense mechanisms and/or tactical strategies will allow risk-on positions to resume in portfolios which use them. If the rally does not carry on, the defensive positions will be maintained/resumed. If you have questions about your current risk profile, please consult with your advisor.

Remember to stay focused on your financial goals as outlined in your plan. As the saying goes, it's a journey, not a destination.

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