

How long will the bull market last?

One of our clients asked a great question this week: *when we will crash and slide into another painful bear market.*

Let's discuss this current bull market, pick apart the definition of a bear market and talk about our strategy for how to invest your funds when the bear market does inevitably hit. We are ready for action when it happens!

Here's to wise investing,

Brett Pattison

Iron Gate Global Advisors

For those that like to read, here is a transcript of the podcast.

Brett Pattison: Hello, my friends. Brett Pattison with Iron Gate Global Advisors, coming at you from the financial capital of the West, Salt Lake City, Utah. Hope you're having a great week. I'm very excited for today's topic because as I speak right now, the market is almost hitting all-time highs. And as it does, you're going to see a lot of new stories. A ton of new stories talking about "the market of the all-time high," "this bull market's been going since you know 2009," "it's too old, it's gonna end soon." So that's the topic that I want to address today. I've gotta give credit to this topic to one of our clients, Riley, who asked me these questions that we're going to address today. I appreciate any and all ideas or any topics you all want discussed in a podcast. Please reach out. Let me know. More than happy to tackle them.

But glad this is what we're talking about today because I guarantee in the next week or two, you're going to hear some stories about this being the longest bull market we've had in history. How we're trading it all-time highs. How the average bull market only last so long and it's gotta end. Those are the stories that you're going to hear over the next few weeks, month, two months, probably longer. So, I looked up online and I saw a few articles from CNBC in USA today. Mainstream financial media, right? In USA Today. Think mainstream media. And on CNBC, it said this is currently the second longest bull market without a 20% drop. And this was from a few months back. And remember folks, a bull market ends when we see a 20% drop in the stock market – S&P 500 for most people – okay? So, they're saying this is the second longest bull market without a 20% drop. CNBC, USA today says this is a nine-year bull market and I quote "the stock market must avoid a 20% drop in the next six months." That article was back in early April. So if we see a 20% drop, that ends the bull market. [laughs]

I'm sitting here thinking to myself, "Have the media, has everybody forgotten what happened in 2011? Not 2008 because that's what scarred most people. But 2011, if you recall my friends, the US was downgraded from AAA to AA [credit rating]. Does everybody remember this? The fiscal cliff was coming, that

there was government shutdown talk as somehow there appears. Sovereign debt crisis. We can't pay our bills as a country. The market freaked. And in fact, the S&P 500 in September of 2011 went down 21.6%. That, my friends, ends the bull market. So, if you hear this nonsense in the media, I don't even know what they're saying, right? This bull market ended technically – according to everybody's statistics – it ended in September of 2011. So why do they keep talking about longest bull market in history? And here's the thing: who even cares about the length of the bull market!

My point in saying that is all these financial news media sites are wrong. They're full of complete nonsense. Yes, we have a bull market in place. And yes, we're trading an all-time high, but just because it's the longest or the second longest or the third longest or has been going since September of 2011 or from March 2008 or 2009, it doesn't matter.

Here's what matters. And to answer my friend Riley's questions, "how long will it last?" and beyond that, "how do you know if it's nearing its end?" So, to answer the first question, "How long will this bull market last?" The short answer is: nobody knows. It's not based on a calendar. It's not based on historical norms of other bull markets. It's not based on anything like that. No one knows when the bull market, how long it will last.

My favorite gauge of any bull market comes from Sir John Templeton, who's an investing hero of mine. Great contrarian! He said this, he said, "bull markets are born on pessimism. They grow on skepticism. They mature on optimism. And they die on euphoria." And I'll say that last thing again: "they mature on optimism and they die on euphoria." My friends, we have not hit euphoria yet.

There's so much pessimism about the market. Bond inflows still exceed stock inflows (equity inflows). It's insane. Why would somebody want a 3% [laughs] – you know – a 3% growth? Really? Anyway, that's the topic for another day, but the one thing that you will see in a market drop is you're going to see euphoria out of control. You're gonna see excesses. Peter Lynch said, "you'll see excesses in over-spending." And I love how he puts it: "in over-spending, over-borrowing, and over-confidence." That's what you're going to see. You'll see evaluations hit crazy levels. Maybe not in the market as a whole, which probably you would see, but certainly in certain areas of the market. You'll begin to hear your neighbor talking about borrowing to invest in something. Think Bitcoin for a second. Just six months ago! People that had no business investing in Bitcoin – because of the complexity of it – [were] investing in Bitcoin because they saw everyone else getting rich. That's euphoria. That's insanity. That's how you know when the market top is coming close. Those are the things that you'll see towards the market top. And my friends, I don't think we're close to that market top yet.

Now, that can certainly change. And so let me explain what we're doing for our clients. On our end is, we're watching areas in the market where valuations are getting a little too extended. Alright? And we're watching those areas in the market for two reasons. Number one, to make sure we're not invested in those areas, right? And if we are, we'll scale back or sell out and buy into those businesses that are selling at better prices.

And the second reason why we do that is because when the bull market finally does teeter and starts to go down, and we see that euphoria, we're gonna pick those areas of the market that are just extended. And we're gonna pick certain companies and through our options capability and our options knowledge, we're gonna short those areas of the market. And that's what I'm really excited. I can't say I'm excited for a bear market, but I'm sure excited for our clients because we're gonna be able to differentiate ourselves from everybody else because of our ability to do that.

So remember my friends and when you see that euphoria, you'll know that "hey, maybe we need to take some risk off the table." That's when you can spot the sign of a maturing, almost dying, bull market is in that euphoric stage. I hope that helps everybody identify and understand where we currently are and what to look for, and above and beyond that, what you'll hear in the media over the next month or two, please, please ignore. [laughs] Because it's a bunch of crap and nonsense.

My friends, have a great week.

Female Speaker: This is a purely public broadcast and does not intended to be personalized financial advice for any individual's specific situation. Each individual's financial situation is unique and the topics discussed on this broadcast should not be relied upon and nor considered as personalized advice. Specific financial securities discussed are not intended to address any listener's particular financial situation and should not be considered recommendations. This is for educational purposes only. For information please contact Iron Gate Global Advisors at info@igga.com or by calling (888) 591-0334.