

INVESTING

This Bull Market Isn't as Old as Some Seem to Think



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By [Barry Ritholtz](#)

To committed readers of the financial press, it was almost impossible to miss the proclamations that a milestone had been passed: The bull market, as of yesterday, was eight years old. For a sampling of examples see [this](#), [this](#), [this](#), [this](#), [this](#) or [this](#).

This formulation is wrong, since it misconstrues the definition of a bull market. Rather than saying that the bull market is celebrating its eighth birthday, what we really are observing is the eighth anniversary of the bear-market lows.

The age of a bull market has important ramifications. Understanding if we are in the second, third, fourth or eighth year of a market cycle is a pretty big deal. The age of a bull isn't about picayune definitions; nor is it a rationalization for a pricey stock market. Rather, this is an attempt to provide some precision, accuracy and clarity as a counterpoint to lazy market commentary.

With that insufferable preamble out of the way, let's move on to a different, but intriguing question: How long was the 1982-2000 bull market?

Warning: This is a trick question.

The obvious answer is 18 years -- at least that's the answer I would give. But as you heard throughout your high school math classes, the answer isn't all that matters -- it's how you got to it. "Show your work" was exhorted on every calculus exam you took. It applies here as well.

My position on market cycles is as follows: Secular bull markets -- versus cyclical rallies and sell-offs -- begin when indexes surpass earlier highs. Thus, in 1982, when the Dow

Jones Industrial Average eclipsed 1,000 on a permanent basis, is when we mark the beginning of that epic 18-year bull market.

Why is this important? Understanding how old a bull market is may very likely affect your expectations of future returns, your risk appetite, even your investment allocations. Misunderstanding when a bull market began is potentially a very expensive error to make.

Charlie Munger exhorts constantly to “[Invert, always invert.](#)” Let’s follow his advice and see what happens if we agree with the suggestion that the bull market is eight years old.

If you do that, though, you must make similar assumptions about other bull markets of the past century. Consider what this does to the historical examples.

It means that the 1982-2000 bull market actually lasted 26 years, starting with the 1974 bear-market bottom. If you speak to people who were working on Wall Street in the 1970s, none of them will tell you that period *felt like* bull market -- because it wasn't. But that’s the date you need to use to be consistent with those who say this bull market is eight years old.

Now, almost everyone knows that earlier bull market didn't last that long.

Let’s look at another historical example: the secular bull market that tracked the postwar period from 1946 to 1966. How long was that bull market? Obviously, the answer is 20 years. But if you apply the same reasoning that leads someone to say today's bull market is eight years old, then that rally would have lasted 34 years, perversely beginning in 1932. [1](#) Again, I don't think anyone who lived through the Great Depression would say that it coincided with a bull market.

So let's be consistent. As I wrote in [February 2013](#), a breakout to new highs would mark the end of the bear market, and the beginning of a new bull market. That seems to have occurred and that is the more appropriate start date for this bull market. In other words, this bull market looks like it's four years old.

Definitions matter. There is a big difference between cyclical bull markets, bear market rallies and corrections within a secular bull market. Understanding this can make all the difference in the world.

(Corrects 11th paragraph to indicate that the stock market bottomed in 1974, implying a bull run of 26 years.)

1. There are, of course, countervailing theories. Do we date the postwar bull market from 1946, when the war-time mobilization ended, or from 1954, when the earlier highs were eclipsed? People have made the case for each.

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