FELTZ WEALTHPLAN
A REGISTERED INVESTMENT ADVISOR
The Weekly Note
A Weekly **Market Commentary**

Monday, March 11th, 2019

"10 Years Removed From a Generational Buying Opportunity"

On March 8, 2009, the S&P 500 hit an intra-day low of 666.79, an ominous level that would go down as the bottom of the financial crisis fallout. The Dow hit an intraday low of 6,470 that same day. With the Dow near 26,000 ten years hence, it is no wonder this is considered to be a generational buying opportunity.

Five months prior to the bottom, Warren Buffett had written an op-ed in the *New York Times* titled "Buy American. I Am.", only to watch the S&P 500 fall a further 30%. The AAII Sentiment Survey on March 5, 2009 showed a record reading for bearish investors (70.3%) dating back to the survey's 1987 inception, partly because investors were watching stocks search for a bottom and reading headlines like this:

"Dow 5000? There's a Case for it"
-*Wall Street Journal*, March 9, 2009

Like most bear market bottoms, it didn't appear to be a seminal event when it occurred. But such bearish signaling, similar but less extreme of which occurred this past December, is very often a contrarian indicator for stocks.

There were very few who had predicted the calamity of what took place on Wall Street in the span of less than 9 months. And the uncertainty of what would come from the financial system deleveraging and potentially falling apart meant investors had little faith for picking a bottom in stocks.

Many elected to throw in the towel and wait for the dust to settle. In retrospect, the 57% peak-to-trough selloff in the S&P 500 appears as an obvious point at which investors should have been aggressively buying stocks.

Even as the market rallied 40% over the subsequent four months, there remained plenty of skeptics ready to call this move a "dead cat bounce" or a "sucker's rally", drawing context to the many bear market rallies that occurred during the 2000-2002 dotcom bubble collapse.

"Beware the Bear Market Rally"
-*CNBC*, May 11, 2009

Even though stock prices had been cut in half, investors were hardly assured that the market had hit bottom. For that matter, there was no guarantee on how long it would take for the market to rally back. After all, there was speculation that the entire financial system was on the verge of collapsing.

Confidence in the financial system was also weighed down by the Bernie Madoff Ponzi scheme that had recently unraveled, and skeptical actions from leading investment banks leading into and during the crisis. This loss of confidence in the financial system and devastating market selloffs bookending the 2000's still weighs on a generation of investors with growing importance: millennials.

Millennials are, as a whole, more skeptical of stocks than their elders, anchoring to two extreme market crashes during their investing careers. Boomers have the most to lose but still have higher risk tolerance and faith in stocks, seeing both the good and bad that can come from long-term investing. It is not just that millennials are weighed down by debt, preventing more money for investing. Many that do have sufficient funds, especially younger millennials, lack the risk tolerance or trust to invest long-term in stocks.

While the Federal Reserve has also received plenty of criticism for both a delayed reaction and extreme accommodation in the midst of the crisis, it is hard to imagine a better recovery for the market since the extraordinary fiscal and monetary lifeblood was injected in late 2008, early 2009. The Fed's actions have resulted in a lost decade for savings rates and an uncomfortably large balance sheet, but the alternative scenario would have very likely been much worse.

Since the March 2009 bottom, the S&P 500 has rallied over 400%, including dividends. It took until May 2013 for the market to hit new all-time highs, but very few would have predicted that type of turnaround at the depths of the crisis. New all-time highs in just over 4 years from the March 2009 low and less than 6 years from the previous all-time high in October 2007.

While the Great Depression was clearly a much more significant event for the U.S. economy, there were plenty of conclusions being drawn at the time to the 2008 financial crisis. In the case of the Great Depression, the Dow took nearly 25 years to eclipse the previous all-time highs of 1929.

Many are calling this the 10th anniversary of the bull market, but did the new bull market really start at the bottom or when the market made its new all-time high in May 2013? Either way, bull markets don't just die of old age, be it 6 or 10 years old. We would need a major catalyst to trigger a systemic collapse like we saw ten years ago.

For now, investors should reminisce on patience and risk management. Two virtues that will never get outdated in the asset management industry.

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