"Are we still in a bull market?"

By Tommy Williams, CFP®

It was very close! After a rocky start, the Standard & Poor's 500 Index came within 1 percent of an all-time high last week, reported Ben Levisohn for *Barron's*. It's significant because the Standard & Poor's 500 Index has been trading below its January record all year. The article suggesting the lack of progress begs the question: Are we still in a bull market? Of course, this past week the S & P bounced above and below the all-time high mark established on January 2nd of this year.


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Along those same lines, Robin Wigglesworth of *Financial Times* reported recently, *"The global equity market is shrinking at the fastest pace in at least two decades, as a wave of corporate share buybacks swamps the overall volume of companies going public, issuing new stock or selling convertible debt."* The value of the global equity market is increasing despite the reduction in volume. In part, this is because stock buybacks help push share prices higher. There is a potential downside to buybacks, though. *Nasdaq.com* explained, *"…rewarding current shareholders so liberally can lead to a systemic extraction of value from companies on a macroeconomic scale. Throw in dividends and little is left for growth and expansion."*

In a move that was surprising to most folks last week President Trump asked regulators to review a decades-old requirement that public companies release earnings quarterly, a change some executives support to promote longer-term planning. Some investors worry the move could reduce market transparency," reported Dave Michaels, Michael Rapoport, and Jennifer Maloney of *The Wall Street Journal*.

While transparency is essential to investors, critics suggest quarterly reporting *"distracts companies from focusing on longer-term financial and strategic goals and may deter companies from going public,"* wrote Andrew Edgecliffe-Johnson and Mamta Badkar for *Financial Times*. There is no doubt that having a published quarterly report card has a tendency to influence executive decision making toward short-term gains – sometimes at the expense of long-term value. We'll see how that request evolves.

Remember that saying about the forest and the trees? Despite the lack of record setting market moves some pretty good numbers have been posted for 2018. They're the type of numbers that inspire confidence. For example:

4.1 percent. The United States experienced strong economic growth during the second quarter. The advance estimate for U.S. gross domestic product (the value of all goods and services produced by a nation) during the second quarter of 2018 was 4.1 percent. That was the highest rate of growth since the first quarter of 2014.

24.6 percent. 2017's tax reform, which lowered corporate tax rates from an average of 35 percent to an average 21 percent, boosted corporate earnings, reported *Nasdaq.com*. With 91 percent of companies reporting in, the blended earnings growth rate for the S&P 500 was 24.6 percent during the second quarter of 2018.

$1 trillion. What are companies doing with their tax windfall? U.S. companies are rewarding shareholders by buying back stock, reported *Nasdaq.com*, which suggested buybacks could total $1 trillion in 2018.

3,453 days. Depending on how precisely you define the last bull market, August 22 was the day that marked this one as the longest bull market in history.

While positive economic and market numbers are nice to see, they are trees in a forest and don't necessarily provide a full or an accurate picture. For instance, the length of a bull market is interesting, but it has no predictive value, reported *Barron's*. The length of the current economic expansion is far more important. *Barron's* cited Dr. Ed Yardeni, chief investment strategist at *Yardeni Research*, who said, *"All I'm interested in is how long the expansion lasts…Because the longer it lasts, the longer the bull market lasts."* Whatever the case it has been a long positive run. At this moment it appears that it still has the legs to run even further.

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