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Investing in Today's Stock Market

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30th June 2009

Author: [John Rothe](#)

Views: 55

The 1980's and 90's were a great time to be an investor in U.S. [stocks](#). Practically any strategy could be used and an investor would make money. Common strategies included asset allocation, sector rotation, buy-and-hold, and the modern portfolio theory. One group even reportedly used a monkey to throw darts at the Wall Street Journal to [pick stocks](#).

The markets swelled to a point of extreme overvaluation in the late 1990's, but the markets still went up, leaving many of us scratching our heads.

The media was quick to suggest that we were on the verge of a "New Economy". Many even went on to suggest the stock market would keep going up regardless of how overvalued stocks were. Then came 2000 - a new year, a new century and a new market. This new market had been sleeping for the past 20 years and had finally woken up -- the Secular [Bear Market](#).

Over the last 100 years, there have been three Secular Bull Markets lasting anywhere from 8 to 18 years, with the last being 1982 to 2000. There has also been three Secular Bear Markets lasting anywhere from 17 to 25 years. Numerous strategists and [portfolio managers](#), including myself, believe 2000 was the start of the fourth Secular Bear Market.

The last Secular Bear Market was from 1966 to 1982, during which we saw five Bear Markets (over -20% corrections) ranging from a -24% to a -45% in durations lasting from 9 to 23 months over a 17-year period of time. However we also saw four [Bull Markets](#) (over +20% rebounds) ranging from a +32% to a +75% in durations lasting from 12 to 32 months and one Flat Market with a measly return of only +2% over a 26-month period of time. (One of only seven times the market has had +/- single-digit returns two years in a row in the last 100 years. Another time was just recently, 2004-2005.) So what was the end result of this 17 year Bear Market? The market ended where it started! If you invested in the S&P 500 in 1966, it was 16 years before you saw a gain, and 26 years before you had inflation-adjusted gains. If your investment time horizon is less than 30 years, does

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up-market approached the level of a previous peak, down it went again.

Buy and hold [investors](#) who are hoping the markets return to previous highs in the near future need to take a good look at past market cycles. Or they will end up disappointed.

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