

A NEW BULL MARKET

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The recent bear market was both one of the steepest and shortest on record. The typical bear market since World War II has witnessed an average decline of 33% over 14 months. From their peaks in mid-February, the Dow dropped 38% and S&P 500 34%. The declines for both midcap and small cap stocks were even more severe.

Today, the stock market reached a milestone on the opening bell. Both the Dow and S&P 500 have rebounded from their lows by 27% and 22%, respectively. The S&P MidCap index has chalked up a gain of 23% while the S&P SmallCap index has lagged. Based on the 20% rule, these moves signal the beginning of a new bull market.

We commented last month that the bounce off the market lows is typically very strong. The dramatic recoveries by both the Dow and S&P 500 took place over just eleven days. There very well may be a retest of the lows, however if the stock market holds onto most of its gains and the bull market remains intact, it will also mean that the economic calamity predicted by the markets may improve earlier than expected.

The American economy and its people are the most entrepreneurial in the world and have always come to the assistance of the nation in times of crisis, as they



did in World Wars I and II. This time around, many drug companies have responded with herculean efforts to come up with drugs and vaccines to confront the virus. Durable goods manufacturers have shifted production to ventilators. American clothing brands such as Brooks Brothers, Gap, American Giant and New Balance have rapidly shifted to production of medical masks. Professional sports are in disarray, but the show must go on. Baseball is considering having all teams play in Arizona in a 50-mile radius, holding triple headers, and eliminating air travel until things are under control.

American businesses have always displayed ingenuity in this regard. This time will be no different: expect the US economy to quickly adjust to the new norm.

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