



Q: What does the stock market look like when it is at its best?

A: Three times a year it goes down by an average of 9% over two months.

The ride up is both rewarding and turbulent.

The financial press is conspicuously noting that today is the 7th Anniversary of a great Bull Market. Over the last seven years, the S&P 500 Index has returned over 17% annually. However, it is overly simplistic to celebrate the result without noting that the path on the way up has presented many challenges. Over this period there have been 21 pockets of downside volatility averaging -9% over two months of duration.

Having an idealized vision of the market at its best as a smooth ride with no detours does not take into account the real picture of what success looks like. The market at its best is a mixed bag of two steps forward and one step back that can assault investor serenity.

The mind plays tricks in defining the past. It is easy to recall our team winning the championship, but not the many “normal” difficulties enroute to the big win. We remember when the market was good, but not the stressful moments along the way.

This great market has taken us through episodes of crisis with Greek bonds, U.S. deficits and credit downgrades, underwhelming growth rates, geopolitical complications, an energy boom and bust, complexity in currency, and a hundred other bouts of doubt.

Investors who want stress free investing can accept the 0.88% return from the 2-year Treasury and need not concern themselves with the predictable turbulence of the market at its best. Investors looking to make 17% a year for seven years know not to protest or panic along the way. They may not like the market turbulence, but they endure to reap the rewards.

At Tealwood, we do not use Bull Market/Bear Market terminology because we feel it misses the more important correlation between the market and the economic cycle. In short, economic expansions are Bull Markets and recessions are Bear Markets. So we note the 7th Anniversary of this economic expansion and endure the market volatility that is the companion of investing success.

