# America's stockmarket passes a milestone

*Record or not, America's bull market keeps going* *(The Economist, Aug. 27 2018)*

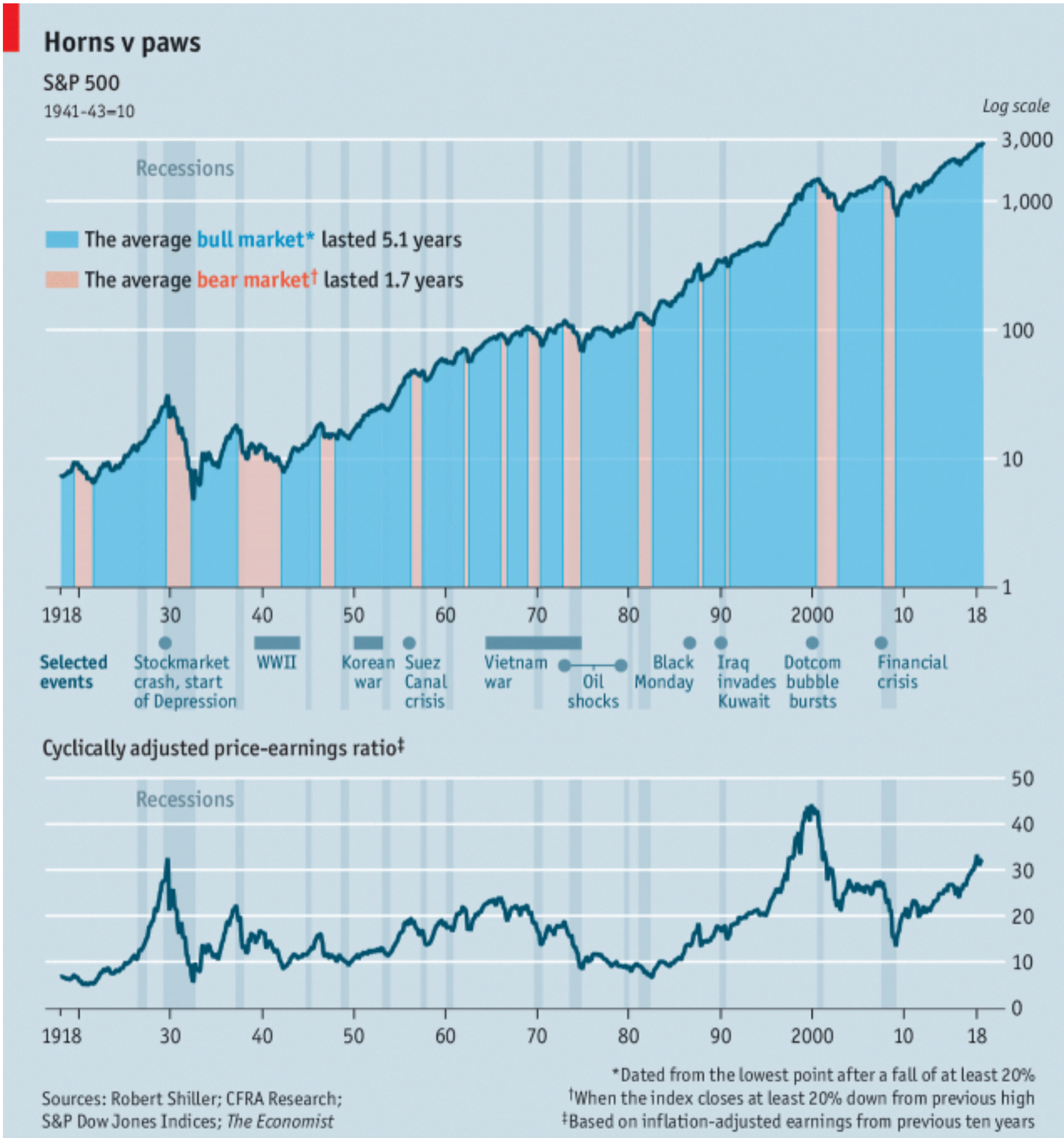
ON AUGUST 22nd America's bull market in equities turned 3,453 days old. Since hitting a low of 666 in March 2009, the S&P 500 index has increased more than fourfold, driven by strong corporate profits, low inflation, stable economic growth and a boatload of central-bank stimulus. Despite five corrections of at least 10%, the index has never entered bear territory, defined as a drop of at least 20%. Most commentators are declaring this to be the longest bull market in history.

Whether it is a record-breaker is disputed. Some contend that because a fall of 19.9% in 1990 did not quite reach the technical threshold, the bull market that ended in 2000 actually lasted a whopping 4,494 days and is the true champion. Others note a drop of 19%-plus in 2011 (and declines of 20%-plus in other share-price indices).

Whatever its precise status, the bull market is curiously unloved by investors. Ken Fisher, a fund manager, has called it the "most joyless" in history. In the boom of 1990-2000 the S&P 500 rose by 417%, or by 19% per year. In the current run the index has clocked up a gain of 323%, or 16.5% per year. What this market lacks in vim, however, it has made up for in steadiness. In 2017 the VIX index, a measure of market volatility, recorded more days below ten than in the previous 26 years combined.

Some believe that shares are overvalued. The S&P 500's price-to-earnings ratio is 25, and on a cyclically adjusted basis is higher still. On past form, average returns turn negative once the ratio tops 20, according to State Street Global Advisors, a money manager. Yet the warning bells about which investors fret most, such as widening credit spreads and bubbly asset prices, are not sounding loudly enough to suggest that the next bear market is imminent. Analysts at Goldman Sachs put the probability of a bubble in American shares at less than one in five. This bull may yet have room to run.

*This article appeared in the Finance and economics section of the print edition under the headline "Nine-and-a-half years and counting*

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