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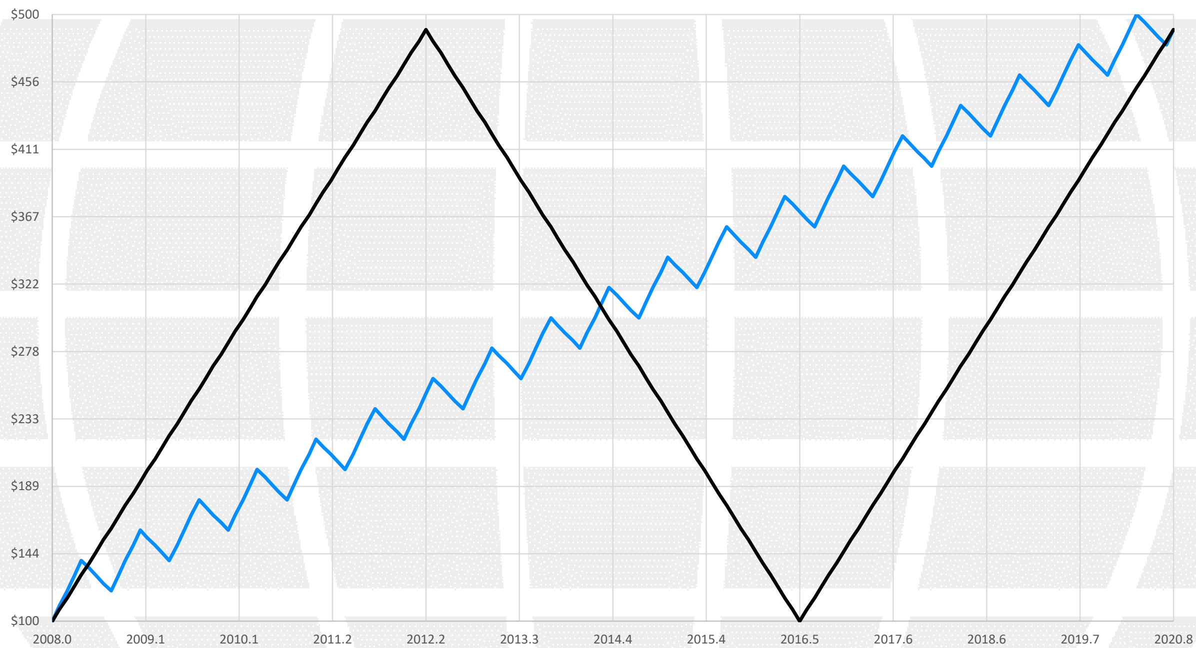
Sometimes people just don't fact-check

Some have falsely claimed that market cycles are getting shorter

Tactical Asset Allocation (TAA) relies on trending or momentum for its success. Some have falsely claimed that market cycles are getting shorter, and therefore TAA no longer has the inherent advantage that it once did. Let's fact-check this claim in order to determine its truth or falsehood.

But first, let's work to better understand this issue. The following graph shows two different market paths. Each starts and ends at the same spot, and therefore both generate the same total return after many years.



The **black line** represents a market experiencing long extended cycles (bulls and bears). In contrast, the **blue line** shows a lack of market cycles, and instead just whipsaws back and forth as it moves ever higher. TAA has a large inherent advantage if the market follows the **black line**, and is meaningfully disadvantaged if it follows the **blue**. Why is this? Because TAA's reliance on trending allows it to adopt a more beneficial dynamic asset mix, since the trends last for such extended periods of time (with the **black line**).

Are stock market cycles shorter today?

There have been 16 bull markets for U.S. stocks since 1853. The table below shows the typical (median), average (mean), and the current still ongoing bull markets.

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	Cumulative percentage gain, unannualized	Duration in years	Start date	End date	Volatility, annualized standard deviation of monthly returns	Percentage of monthly returns that were positive	Annualized return during BULL market
Median BULL market	176.7	5.1			12.3	67	20.8
Mean BULL market	342.2	8.6			15.8	67	20.2
Current BULL market, not yet ended	**479.2**	**12.1**	**Feb 2009**	**?**	**14.1**	**68**	**15.6**

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The current bull market (still ongoing) is significantly longer than the typical or average bull. In fact, it is longer than 73% of all past bull market cycles.

Are bond market cycles shorter today?

For solid and well understood macroeconomic and political reasons, bond bull and bear markets last considerably longer than one finds for stocks. The table below identifies the typical, average, and just-ended bond bull markets.

	Cumulative percentage gain, unannualized	Duration in years	Start date	End date	Volatility, annualized standard deviation of monthly returns	Percentage of monthly returns that were positive	Annualized return during BULL market
Median BULL market	379.2	20.7			5.2	70	6.1
Mean BULL market	534.4	25.6			4.7	70	5.9
BULL market just ended	**1007.6**	**38.8**	**Sep 1981**	**Jul 2020**	**6.8**	**61**	**6.4**

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Once again, the recent bond bull market (that ended in the third quarter of 2020) was significantly longer than the median or average bull.

Are commodity market cycles shorter today?

The most recent commodity cycle was a bear, with inflation-adjusted commodity prices falling by -71% over nine years. The table below provides the typical, average, and just recently ended commodity bear markets.

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	Cumulative percentage loss, unannualized	Duration in months	Start date	End date	Volatility, annualized standard deviation of monthly returns	Percentage of monthly returns that were negative	Annualized return during BEAR market
Median BEAR market	-38.1	32.0			12.6	67	-16.4
Mean BEAR market	-46.3	44.6			12.6	72	-23.7
BEAR market just ended	**-70.6**	**108.0**	**Apr 2011**	**Apr 2020**	**15.5**	**56**	**-12.7**

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As with bond and stock market cycles, the commodity cycle has not shortened. In fact, the commodity bear market that ended in April 2020 was the longest commodity bear in all of history (since data first became available).

Conclusions

Fact-check and set the record straight - Contrary to the false claims made by some, stock, bond, and commodity cycles have not become shorter. In fact, the recent bear or bull markets for each, have been measurably longer than the historical average.

This tendency towards longer-lasting market cycles serves to reinforce the inherent advantage of TAA strategies.

Trust but verify - One of our nation's past presidents often used the phrase "trust but verify." This is a prudent approach when dealing with all investment strategies. Thankfully, the market cycles described above are fully transparent and readily confirmed. And we will help anyone who would like to give it a try.

Next steps

Your financial advisor has a menu of possible investment solutions. The solution that is most appropriate to your unique needs and circumstances can only grow out of a meaningful discussion with your advisor. Reach out to them, talk with your advisor.

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The data underlying the results, is monthly total return index data. This data was provided by Global Financial Data, Inc., San Juan Capistrano, CA on 4/6/2021. Global Financial Data, Inc. can be reached at www.globalfinancialdata.com.

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