

May 1, 2020

## Are We in a Bull Market or Bear Market? Take Your Pick!

Mr. Market: *"Honey, where did you put the Dramamine?"*

Mrs. Market: *"I'm sorry Dear, we're out. It's been a rough 70 days."*

Longtime readers will note a recurring theme of my writing is the forward-looking nature of the equity markets, specifically their history of turning positive long before recessions end.

For the record, I am not blowing the ALL-CLEAR WHISTLE. How low the stock market ultimately goes in response to the current economic self-induced coma is unknowable, and truth-be-told, irrelevant. However, it is impossible for one with a mouth as big as mine to let the past month pass without a great big WOW!

♪ What a difference a month makes. ♪ Go ahead, whistle or hum the famous song... you know the tune. ♪ *What a difference a day makes* ♪ ... a little tap dance is OK too.

Bodnar Financial opened its doors in January 1988. The month of April 2020 set history as the highest total return for U.S. domestic stocks since our doors opened 32 years ago. Amazing. Here is why it is so darn hard to time your entries and exits from the capital markets:

<u>DATE</u>	<u>EVENT</u>	<u>SP500</u>	<u>% gain/loss</u>	<u>DJI</u>	<u>% gain/loss</u>
12/31/19	year end close	3231		28,538	
2/12/20	DJI record high			29,551	+ 3.5%
2/19/20	SP500 record high	3386	+ 4.8%		
3/23/20	sell-off lows	2237	- 34%	18,592	- 37%
3/31/20	last day of March	2585	<b>+ 15.6%*</b>	21,917	<b>+ 17.9%*</b>
4/30/20	last day of April	2912		24,345	
	<b>Return for the month</b>		<b>+12.65%</b>		<b>+11%</b>
	<b>From low of 3/23</b>		<b>+30%</b>		<b>+31%</b>
	<b>YTD</b>		<b>- 9.8%</b>		<b>-14.69%</b>
	<b>From high of mid-February</b>		<b>-14%</b>		<b>-18%</b>

**\*15.6% and 17.9% returns in 6-trading days!**

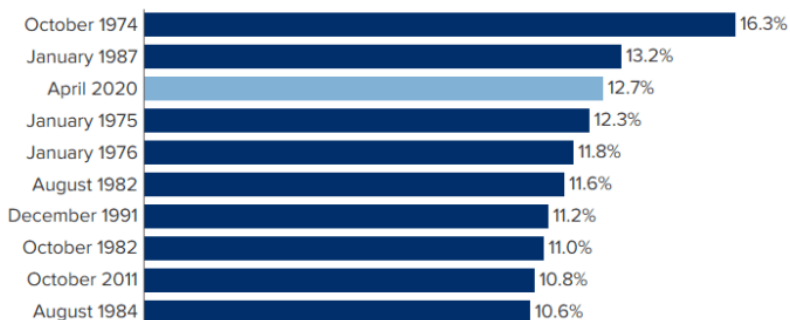
So, are we in a bull market or a bear market? The major indexes are up 30% from the low of 38 days ago. It's hard to imagine a 30% advance not moving the needle toward a BULL diagnosis. But we are still down for the year, and down 14% and 18% from the all-time highs. Could we retest the lows of March 23? Anything is possible.

This chart is proof the past month was the best month since I opened the doors in 1988. You need to go back to January 1987 to find a month better than April 2020.

Unlike our seasick neighbors, Mr. & Mrs. Market, we shall take a pass on the Dramamine to steady our hand during the ups and downs of market cycles and rely instead on the lesson of history. Repeat the mantra: **optimism is the only realism.**

### April 2020 the best month in decades for S&P 500

Top months, measured by percent change, since World War II



SOURCE: FactSet. Data as of market close on 4/30/20.



So, my comrades, on this May Day 2020, I close with not one—but three—Warren Buffett gems:

*“If you look at what was here in 1776 and you look at what’s here now, this country has done an incredible job in terms of the deployment of resources and human ingenuity. The idea of people unleashing their potential ... it’s absolutely a miracle.”*

*“Those who invest only when commentators are upbeat end up paying a heavy price for meaningless reassurance.”*

*“The factories don’t disappear, the farmland doesn’t disappear, the skills of the people don’t disappear.”*

Be safe, wash your hands, and don’t believe everything you read on Facebook.

Keep Calm and Carry On,

John Bodnar, CFP®, CIMA®

These are the opinions of Bodnar Financial and not necessarily those of Cambridge, are for informational purposes only, and should not be construed or acted upon as individualized investment advice. Oh yeah, and past performance is not indicative of future results. My lawyer wanted me to tell you that.