

What is a Bear/Bull Market?

A bear market and/or bull market are terms associated with equity markets. Equity markets have upward or downward trends which are also sometimes called cycles. This FAQ is intended to provide a brief description of what bull and bear markets are.

There is no official definition of a bull (bear) market, but a commonly used rule of thumb is an increase (decrease) in stock prices of 20 percent or more in a few weeks or months. Others describe a bull market as: “A prolonged period in which investment prices rise faster than their historical average” (http://www.investorwords.com/616/bull_market.html).

Bull Market:

A bull market occurs when an equity market is experiencing positive growth in prices for a considerable amount of time. The term “Bullish” is often used when investors are optimistic about the future values of a market. This leads to increases in investment and further increases in values.

The US experienced one of its most famous bull markets during the 1990’s. During this period the US experienced positive market growth until the stock market crashed in 2001.

Bear Market:

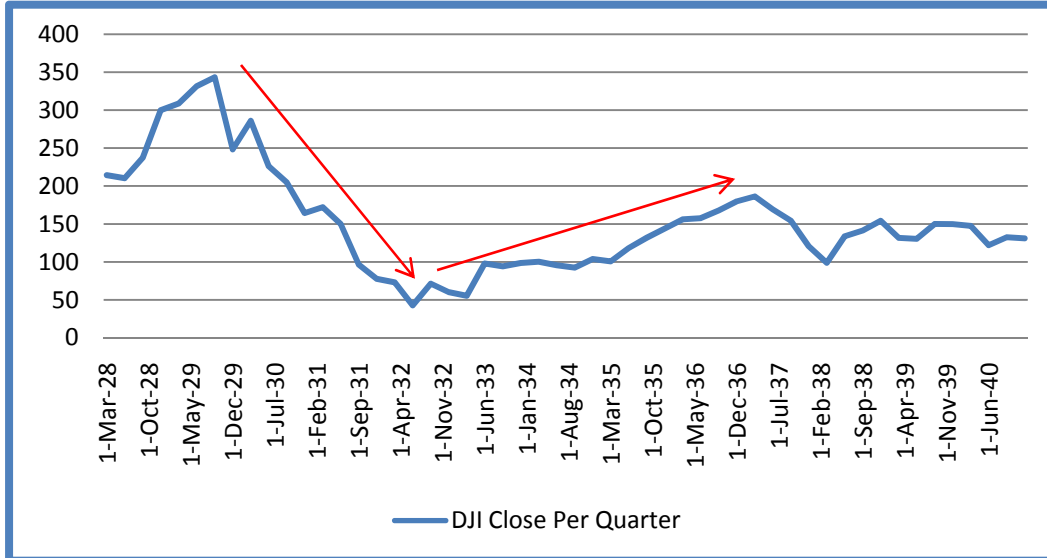
A bear market occurs when an equity market is experiencing negative growth in prices for a considerable amount of time. The term “Bearish” is often used when investors are pessimistic about the future values of a market. This pessimism and lack of confidence leads to decreases in investments which further decreases the market value.

In the US the most famous bear market occurred after the Wall-Street crash of 1929 - The Great Depression. During this period many investors had pessimistic view of the market which led to a decrease in market values from 1928 to about 1932.

Dow Jones Price History 1928-1940

Figure 1(page 2) illustrates the pattern of the Dow Jones Index from 1928 to 1940 during Great Depression era. A bear market occurred from 1929 to 1932 followed by a bull market from 1933 to 1937.

Figure 1: Dow Jones Industrial Average Index (DJI) 1928-1940

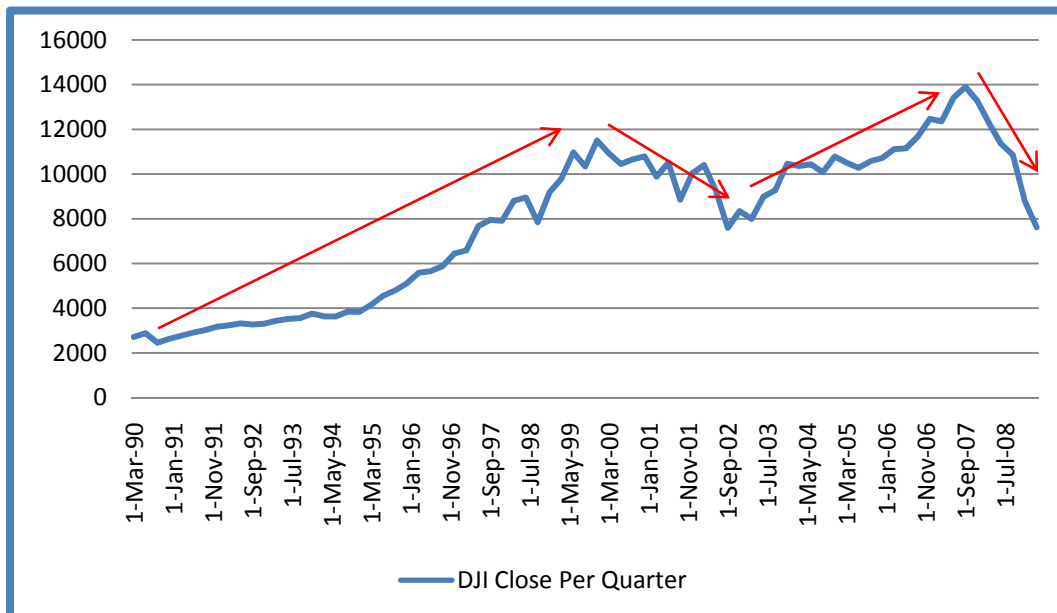


Source: Figure created from data in the Dow Jones Industrial Average Report, www.djaverages.com

1990's to Present:

Figure 2 displays a bull market during the 1990's and a bear market between 2001 and 2002. Another bear market beginning in September 2008 is also apparent.

Figure 2: Figure 1: Dow Jones Industrial Average Index (DJI) 1990- 1st Quarter of 2009



Source: Figure created from data in the Dow Jones Industrial Average Report, www.djaverages.com .

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