

Where No Bear Market Rally Has Gone Before

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ChartoftheDay.com had an update of their chart labeled “Depression-Era Bear Market Rallies (Dow 1929-1932)” which is interesting in many, many ways, starting with the fact that it only concerns one particular three-year span, which implies that thereafter there were no more bear market rallies of note, which is pretty much right, as everything economic continued going into the toilet until finally being “saved” by the government’s massive deficit-spending to wage WWII, which we willingly backed as a vengeful patriotic duty, thanks to Hollywood movies heroically exposing all foreigners as treacherous, murderous backstabbers who speak English with foreign accents and who think we Americans are powerful, omnipotent gods, like Peter Lorre in the movie Casablanca fleeing from the police after emptying his pistol at them but missing every shot, shouting, “Rick! Rick! Save me Rick!”

Or like James Coburn playing the role of Z.O.W.I.E. agent Derek Flint, America’s top secret agent in the ’60s and who could easily kick James Bond’s butt, which could explain why beautiful women were always throwing themselves at him, and while James Bond might score with one or two chicks the whole film, Agent Flint was up to his ears in hot babes, literally having to use karate to hack his way through throngs of adoring hard-body hotties in bikinis lusting after him, many of whom may have had foreign accents but were docile, so you can see what I am talking about.

Anyway, we were talking about the chart, and to get back to the point, the chart has “number of calendar days” down along the horizontal, bottom, x-axis, and “Stock Market Rally (% change)” vertically up along the y-axis. It is the answer to the questions “How big (measured in percentages) and how long (measured in days) were bear market rallies, what is the average percentage gain and have it on my desk immediately!” which you gotta admit is pretty handy!

Anyway, and again with the “anyway,” the chart shows that we are about 100 days into a rally, and looking at the chart, it looks like a stock price rally of about 34%, slightly higher than the statistical average of the percentage-change/days for the six bear market rallies that occurred over the three beginning years of the Great Depression.

In another couple of months, we’ll be at about the record “longest rally” 155-day mark, where we also find the old record stock price gain of about 48% that occurred in November 1929.

Another thing that occurs to me, looking at this chart, is that our current little stock market rally of about 34% of the Dow Jones Industrials is already higher than 4 of these rallies in terms of percentage gains, and is older than all but the biggest and the best of the bear market rallies, and which started in November 1929 and lasted about 155 days! Yikes!

In other words, if there was a third dimension on the graph to indicate time in both Newtonian dimensions and in some weird time-warp where the starship Enterprise, on her five-year mission to explore strange new worlds, seek out new life and go where no man has gone before, is bearing down on the last outpost of previous highs, Scotty would be yelling up to the bridge, “Captain! We’re coming to the edge of Previous Known Highs (PNH) at hyperspace speed, and you know what happened the last time this kind of thing happened!” and Captain Kirk says, “No, what happened?” whereupon Mr. Spock, all calm and logical, would say, “The whole thing collapsed, Jim, sort of like a Glornassian Crapworm when you hit it with a hand phaser,” which would be enough for Kirk to scream out, “Captain’s supplemental log! This is the captain! Abandon ship! We’re going to freaking crash and burn! All hands buy gold!” which, if you knew Captain Kirk like I do, would end up being the smart thing to do by the end of the episode.

In short, all things end, including the phase where a national idiocy prevailed where everyone “invests for the long term” by putting all their money into stocks, bonds, houses, bigger government and an orgy of over-consumption, which is proven to be the wrong thing to do, and where people did not put their money in gold, which is the proven right thing to do, as even a Glornassian Crapworm knows.

And if everybody from a starship captain to a stupid Glornassian Crapworm knows this, then, “Whee! This investing stuff is easy!”