We Are Not In Unchartered Waters

Top S&P 500 Subsectors
(52 months into longest bull market ever)

Legend:
- ■ (green) Price-Only Return 3/31/92 - 3/31/93
- ■ (black) Price-Only Return 12/31/12 - 7/29/13

X-axis categories: Semiconductors, Hotels, Oil & Gas Drilling, Home Improvement Retail, Steel, Gas Utilities, Life & Health Insurance, Multi-line Insurance, Systems Software, Integrated Telecomm.

Y-axis: -20% to 100%

Source: Bloomberg
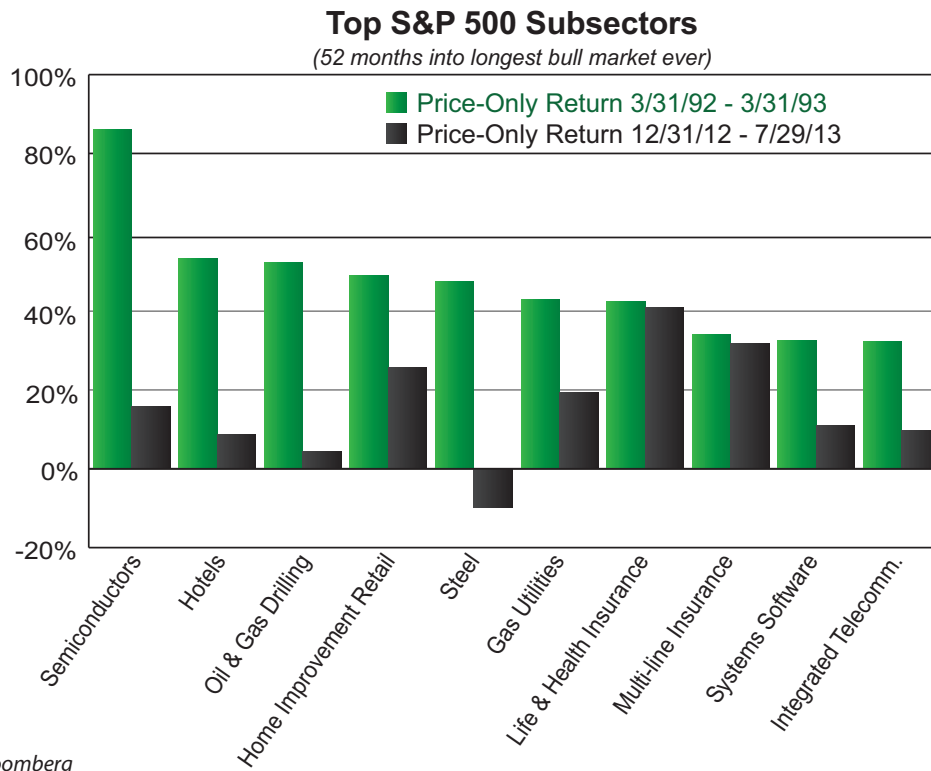
View from the Observation Deck

1. The longest U.S. bull market in stocks spanned 4,494 days from 12/4/87-3/24/00, according to Bespoke Investment Group. The S&P 500 returned 582.1% (price-only), the best gain of any bull to date.

2. The current bull market has lasted 1,603 days (3/9/09-7/29/13), and ranks as the fifth longest in history. That puts it at 52 months and counting. The S&P 500 was up 149.1% (price-only) during that period.

3. The chart shows the price-only returns (green) of the top 10 performing S&P 500 subsectors over the 12-month period following the 52-month mark of the best/longest bull in history.

4. It also provides the year-to-date price-only returns (black) for each of those subsectors. The only subsector of the 10 with a negative return in 2013 is Steel, down 9.72%.

5. While past performance is no guarantee of future results, we thought it might help investors concerned about the market setting new highs to see what worked at this stage of the best bull ever.

6. One thing about the chart that sticks out is that 5 of the top 10 subsectors belong to one of the following three major S&P 500 sectors: Energy; Financials; and Information Technology.

7. What is interesting about these three is that they currently possess the three lowest estimated price-to-earnings (P/E) ratios of the 10 major sectors for 2013 and 2014.

8. Here are those P/Es (as of 7/25/13): Energy (13.24 for '13 & 11.92 for '14); Financials (13.44 for '13 & 12.59 for '14); and Information Technology (14.36 for '13 & 12.50 for '14), according to S&P Dow Jones Indices.