This Data Does Not Portend A Bear Market In Stocks

Where Interest Rates/Yields Stood At The End Of Past Bull Markets

Day Bull Market Ended (S&P 500 Index)	Fed Funds Target Rate	10-Year T-Note	CPI Headline Rate *(Y-O-Y NSA)*
2/28/19 (Ongoing)	2.50%	2.72%	1.5%
10/9/07	4.75%	4.65%	3.5%
3/24/00	6.00%	6.19%	3.8%
8/25/87	6.75%	8.72%	4.3%
11/28/80	18.00%	12.72%	12.6%
1/11/73	5.75%	6.43%	3.6%

Source: Bespoke Investment Group, Bloomberg

View from the Observation Deck

1. Today's blog post is intended to provide some historical perspective as to where three key benchmark interest rates/yields stood prior to U.S. equities, as measured by the S&P 500 Index, succumbing to bear markets.
2. A bear market in stocks is defined as a decline of 20% or more in the price level of a benchmark index, such as the S&P 500 Index, from its recent peak.
3. Brian Wesbury, Chief Economist at First Trust Advisors L.P., has noted through the years that bear markets tend to occur when the Federal Reserve ("Fed") becomes too tight with its monetary policy.
4. As indicated in the chart, the upper bound of the federal funds target rate is currently 2.50%. While up from 0.25% in late 2015, it is still well below its 30-year average of 3.14%, according to Bloomberg.
5. Wesbury believes that even if the Fed raises rates a couple of times in 2019, it would simply make its policy less loose, not tight. The lack of any serious inflationary pressure (see CPI column in table) in the current climate could allow the Fed to delay its next increase for some time, in our opinion.
6. A March 22, 2012, article in *Businessweek* stated that data from Standard & Poor's revealed that, since 1953, U.S. stocks posted their best returns when the yield on the 10-Year Treasury Note (T-Note) rose to around 4.00%.
7. As of 2/28/19, the 10-Year T-Note yielded just 2.72%, or 128 basis points below that 4.00% mark.