Sorry, but You Missed the Biggest Bull Market in Stocks Since 1933

Description

It's official: we're in the midst of the biggest 100-day bull market since the Great Depression.

Going by pure percentages, the S&P 500 achieved its best rally ever, rising 50.1% in 100 days. The last time stocks rallied that hard, according to *MarketWatch*, was in 1933. It should be noted that the S&P 500 didn't actually exist in the 1930s, but there were other indexes tracking stocks at the time. Going by data from that period, the last time we had a 100-day percentage gain this big was in 1933.

If this data is correct, then you would have been wise to have bought stocks in March. Otherwise, you would have missed out on one of the biggest bull markets in history.

Why this rally was so dramatic

There are a number of factors that can explain why the mid-2020 bull market in stocks was so dramatic:

1. The bear market preceding it was dramatic, providing ample room to grow.
2. Investors started pricing in the economic recovery from COVID-19 early.
3. Economic data after April showed signs of job growth.
4. There was unprecedented fiscal and monetary stimulus rolled out to support the markets.
5. Tech stocks delivered solid earnings, despite the pandemic.

All of these factors together added up to a stock market rally, the likes of which we haven't seen in generations. Unfortunately, now the best may be behind us. With the rally we've witnessed, stocks have gotten very expensive. Corporate earnings are still way down in sectors like travel, banking, and energy. Yet stocks are basically back to all-time-highs. As a result, they're more expensive relative to earnings than they were before the pandemic.

Two stocks that are still promising

Despite all of the above, there is still good value to be found in today's market — specifically, in sectors that haven't yet fully walked off their COVID-19 losses. That includes banking, energy, and retail. I'm not including airlines in the list, because they're still in for years of pain.

If you look at a bank like **Royal Bank of Canada** (TSX:RY)(NYSE:RY), it has several factors going for it that could send its stock higher. First, its revenue has held up recently, despite the pandemic, down only slightly year over year. Second, its insurance and investor/treasury services businesses actually grew compared to last year. Second, its 54% decline in net income was mostly due to PCL, and PCL losses are not true cash losses. If the economy keeps reopening, then RY will eventually be able to reduce its PCL, resulting in higher earnings in the future. Of course, all those losses *could* materialize, but it seems unlikely given the economic recovery we've been seeing.

In addition to beaten-down bank stocks, there may also be value in utilities. Utilities like **Fortis** actually did okay during the COVID-19 market crash, but they haven't rocketed to unbelievable highs like, say, tech. As a result, they're fairly modestly valued compared to some other equities. This makes them great stocks for value-oriented investors to look at.

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