Why the Bull Market Keeps Charging

Description

The sheer longevity of the current bull market in stocks has been something to behold. If you don't count the March 2020 bear market–which was steep but brief–then stocks have risen since March 2009. That's an unprecedentedly long bull market: 12 years, to be exact.

You might say that excluding the March 2020 crash is arbitrary, but stocks were only falling for about a month then. A blip on the screen. So we've basically got a 12-year uptrend here with one very sharp interruption in between.

For this reason, people have been calling for a correction for many months now. It wasn't long after stocks recovered to their February 2020 prices that people started saying another crash was in order. Today, the chorus has grown louder than ever. The talk of "Schiller P/E ratios" and other such bearish signals is incessant on Twitter, and it's much the same story in the financial media. Yet despite all of this chatter, stocks keep charging higher and higher. In this article, I'll explore why that's the case.

Tech stocks produce solid earnings

One of the reasons why stocks keep charging higher is because tech stocks–which make up an outsized percentage of the indexes–released solid earnings for the third quarter. **Meta Platforms** delivered a slight beat, **Apple** missed only slightly, and **Microsoft** beat massively. While third-quarter tech earnings weren't *quite* the bonanza we saw in Q2, they were pretty good. And investors bid up these stocks in response.

Take **Shopify** (TSX:SHOP)(NYSE:SHOP) for example. Investors seem to have had a delayed response to its third-quarter earnings. Initially, the stock sold off, due to the miss on adjusted EPS. Later it started rising again. Perhaps investors realized that 46% growth following the company's best year ever isn't so bad. Perhaps they realized that $9 in GAAP EPS is an incredible showing. Whatever the case may be, investors turned bullish on Shopify after a brief post-earnings selloff. If the fourth quarter is solid, we'll probably see SHOP soar well into 2022.

Interest rates still low

Another factor that may be taking stocks higher is interest rates.

People have been speculating for months now that the Federal Reserve and the Bank of Canada will raise rates soon. They might do so early next year, but interest rates are still historically low, to be quite frank.

The Bank of Canada's overnight rate is still 0.25%, and it's a similar story in the United States. With rates like these, stocks look more attractive than bonds and companies can borrow cheaply. So low-interest rates tend to correlate with strong stock market performance. By the way, the rate hikes everyone is speculating about are only 0.5%. So there's not much to worry about here.

Foolish takeaway

The bottom line on today's stock market is this:

Stocks are rising because companies are doing well and because bonds still aren't very attractive. As long as these two facts remain the case, then stocks will probably keep going up.

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Date

2025/09/12
Date Created
2021/11/13
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