

THE CURRENT BULL MARKET & LONG-TERM PERSPECTIVES

The stock market has reached a new milestone as it enters the fifth year of the cycle. What perspectives over the past few years can help investors stay balanced as the cycle continues?

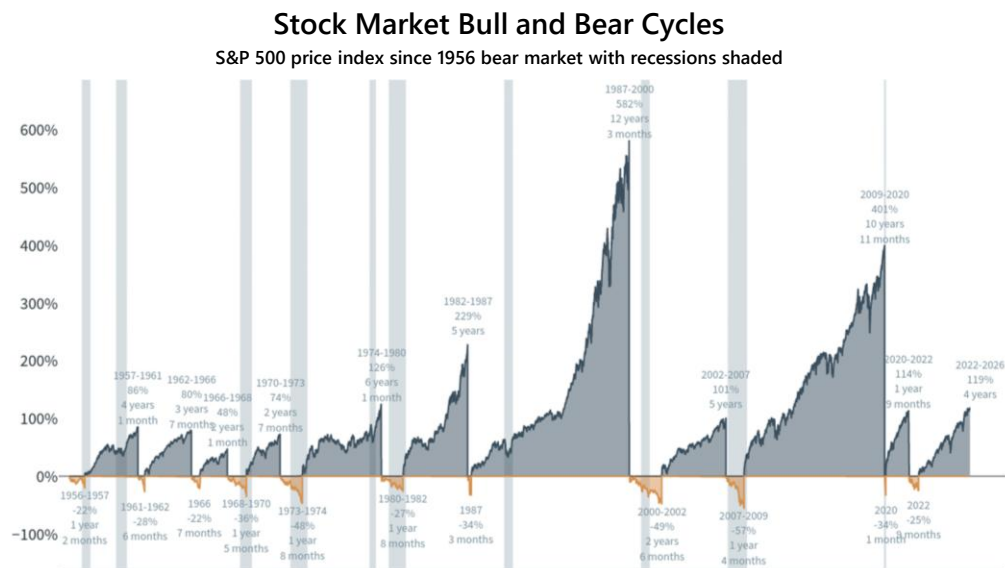
Four years ago this October, the S&P 500 hit its lowest point of the 2022 bear market. Inflation was rising at its fastest pace since the 1970s, the Federal Reserve was hiking rates rapidly, and recession fears were widespread. Sentiment was deeply negative, and a recovery was hard to imagine.

Today, the picture looks very different. Major indices are near all-time highs, and a resilient economy has pushed corporate earnings higher while keeping unemployment low. Inflation remains a challenge, with energy prices a key source of uncertainty this year, but it is no longer rising at a double-digit pace. The S&P 500 has more than doubled over this period, rewarding investors who kept a long-term focus in their portfolios and financial plans.

As the bull market enters its fifth year, this shift in sentiment is a reminder that market and economic conditions can turn around when least expected. For long-term investors who stuck to their plans, the goal is neither to celebrate nor to grow complacent, but to stay balanced and focused on long-term financial goals.

Perspective matters as we begin the fifth year of the bull cycle

The S&P 500 bottomed on October 12, 2022, alongside other asset classes such as bonds, amid inflation concerns. Since then, the index has gained around 119% on a price return basis, and 131% with reinvested dividends. Stock holdings have more than doubled, making this one of the strongest bull markets since World War II, as shown in the chart above.



Sources: Clearnomics, Standard & Poor's. Latest data point is October 13, 2026.

Historically, bull markets have lasted far longer than bear markets, often five to ten years or more. Of course, no two cycles are identical, past performance is no guarantee of future results, and markets never rise in a straight line.

The cycle that began in 2020, for instance, was interrupted by inflation in 2022. Yet many challenges that seemed important at the time became only temporary speed bumps. The long bull markets of the 1990s and 2010s each faced growth concerns, geopolitical events, fiscal challenges, oil price shocks, and elevated valuations, and consumers and businesses adapted, allowing markets to recover.

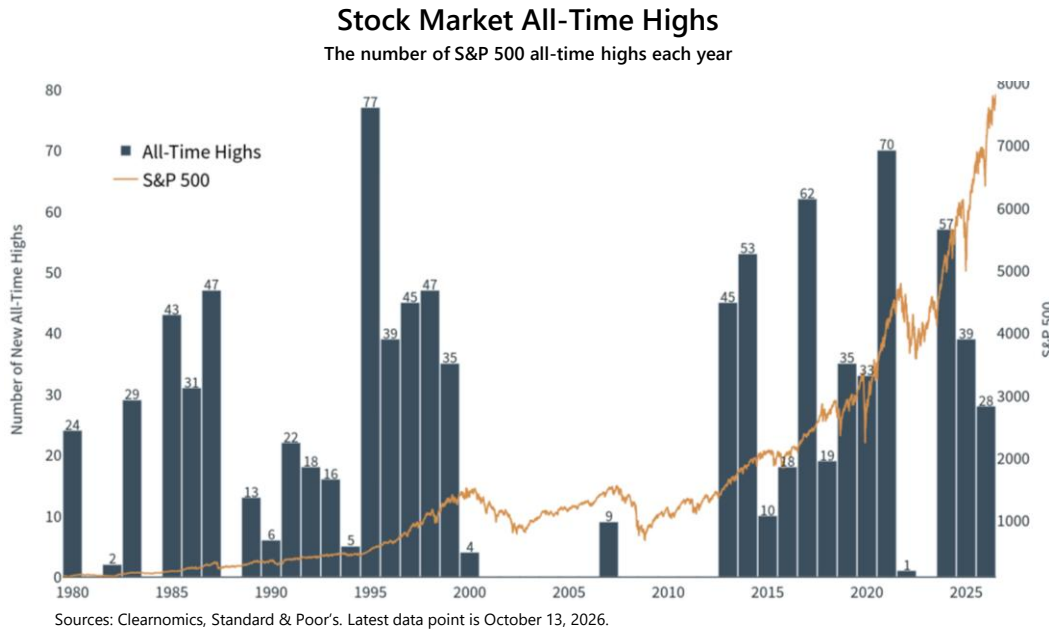
Today's cycle has already faced significant volatility, including sharp pullbacks in 2025 around tariffs and earlier this year due to the war in Iran. Zooming out, these episodes are a normal part of any market cycle, making this an important time to stick with a well-constructed portfolio that can handle all types of market environments.

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New all-time highs are a normal part of the market cycle

The market cycle has reached record levels, with more than two dozen new S&P 500 all-time highs this year alone. Some investors worry the market is “due for a pullback,” while others fear missing out.

The accompanying chart shows how often the S&P 500 has set new all-time highs across market cycles. Bull markets, by definition, reach new highs, and over the past decade the index has set dozens each year, except in 2022 and 2023.



This does not mean risks are absent or that new highs should be taken for granted. Rather, it reflects an economy and corporate sector that have been resilient in the face of significant headwinds. Resisting the urge to step aside every time markets approach record territory is one of the most valuable habits a long-term investor can develop.

Valuations have improved, but risk management remains important

With markets at high valuations, it's important to consider opportunities across asset classes as well as risk management. Valuations matter because they reflect what investors get for the price they pay. Investors own stocks to benefit from earnings, cash flow, dividends, and other fundamentals, and valuation metrics compare the share price against each of these measures.

The accompanying chart shows various valuation measures for the S&P 500. Strong earnings growth, including consensus estimates pointing to over 30% earnings growth for 2026, has helped bring the price-to-earnings ratio down from its peak just a year ago. This suggests much of the market's gains have been supported by corporate profitability rather than investor enthusiasm alone.

At the same time, other measures remain above their long-run historical averages. Price-to-book, a classic value-investor metric, suggests the market is still expensive relative to company assets and balance sheets, and dividend yields are historically low compared to today's interest rates and bond yields. Valuations also look high in technology-related sectors but vary across the market.

Valuations are not short-term timing tools, but help position portfolios over years and decades. Markets can stay elevated for extended periods, especially when earnings growth is strong. That said, higher valuations suggest a smaller margin for error unless fundamentals change, raising the importance of holding different asset classes to keep a portfolio balanced and aligned with long-term financial plans. Bond yields, for instance, are near multi-decade highs, making them more attractively valued.



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