Registered Investment Advisor Firm

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When you drop something…it will fall to the ground. If you were to travel to the remotest corner of the world, everyone would still understand the law of gravity.

Yet most investors don't really understand the natural gravity of stocks. In fact, they tend to find every conceivable way to confuse matters with too much subjective interpretation of charts, and associated data.

The simple truth is the gravity of stocks is to move up. Meaning that to move higher is their natural progression UNLESS a contradictory force gets in their way.

I can prove this point so you can better understand why the bull market is still in place and why we have not yet seen the market top.

Plus I will share with you the signs that eventually lead to the next bear market.

Growth is the most natural thing in the world

Without getting too philosophical, it is essential to understand that advancing forward is a prime driver of the human condition. This instinctive desire to do things better leads to improvements in

[1] https://www.google.com/search?site=&tbm=isch&source=hp&biw=1366&bih=643&q=isaac+newton&oq=issa&gs_l=img.1.8.0l8j0i10j0.32226.37914.0.46208.4.4.0.0.0.0.95.335.4.4.0....0...1ac.1.64.img..0.4.334.c5xuygjc5-s#imgdii=vKMykHk3pJNSlM%3A%3BvKMykHk3pJNSlM%3A%3B2yHk6p6vnk4-KM%3A&imgrc=vKMykHk3pJNSlM%3A

productivity and our overall standard of living.

It DOESN'T end there because it also creates greater economic activity, which is another way of saying higher profits. Profit growth is the main ingredient investors seek when selecting stocks.

Here's a formula for you to consider:

Human advancement = higher economic activity = higher profits = higher share prices.

This equation proves why the natural order of things is for the stock market to move higher. Unfortunately it's not all unicorns and rainbows.

There are cyclical trends in the market.

One troubling aspect about the human condition is that we are prone to believing that the good times will last forever. This tends to lead to excesses during the boom times that pave the way for the next bust.

Unfortunately those excesses are usually about people, businesses and governments becoming over leveraged.

Here is the equation for a recession:

Lower economic activity = lower profits = lower share prices. The average stock market decline during a recession is approximately 34%.

Gladly the average US recession only lasts about 13 months while the average expansion experiences a healthy 63 month reign.

That means investors are able to take five steps forward for every one backwards.

What does that mean for the future?

It should be clear by now that ***stocks will continue to advance until there are signs of the next recession.***

Of course, I don't mean stocks will go up every day, week or month. In fact, so far this year stocks have been just trading sideways to modestly higher levels -- not unlike 2011. These healthy pauses can often lead to greater gains ahead.

Plain and simple, the primary long term trend will be bullish until the odds of a future recession increase. Right now the odds of a looming recession are very low. And so it's best, to stay in the bullish camp until some more ominous dark clouds emerge.

What should you do next?

The above may give the false impression that just about any stock will do. But certainly you understand that some stocks will do much better than others.

That's because the easy money in this bull market took place in the first 5 years.

Now it will be slower going as the bull market matures.

Answer Forum

Nothing new this month.

Davis Investment Group

Davis Investment Group is a fee-based Registered Investment Advisor firm servicing the needs of clients across the United States.

Davis Investment Group custodies all client assets at Charles Schwab & Co. Davis Investment Group's home office is located at 714 Marin Street, Suite #C, Vallejo, CA 94590. The telephone number is (707) 648-2024.

If you have questions or would like further information on this month's topics or any other financial or investment related subjects, including Social Security claiming strategies, please contact me directly at (925) 360-6819 or through my email address at: Bud@DavisInvestmentGroup.biz