The financial media is filled with historical comparisons to past periods. Despite the fact that all mutual fund companies and financial advisors are obligated to warn that past performance is no guarantee of future results, it is human nature to look for clues as to when history may repeat itself. As the famous quote goes, those who ignore history are doomed to repeat it. What prompted this week’s blog, is the most uncanny, shocking and truly creepy numerical coincidence I have seen in some time…or perhaps ever.

Consider the following, using data on the S&P 500’s (excluding dividends) weekly closing prices:

From September 1, 1995 until the peak of the tech-bubble on August 18, 2000, the return was 165% over 1813 days.

From March 6, 2009 (the market bottom post-Financial Crisis) through this past Wednesday, February 26, 2014 the return was 164% over 1813 days.

This naturally brings up some questions…and my suggested answers:

Q: Does this mean the market is about to peak?

A: No, but it certainly bears watching.

Q: Is there something significant about the approximately 5-year period in both cases?

A: Some will say no, but I say yes! This and other evidence I have seen over the years through the study of technical chart patterns, convinces me that while markets are rational up to a point, the more powerful force that impacts security prices is human emotion. This is just a nearly symmetrical case of market prices replicating their percentage run over the same period of time, all the way down to the
Q: What can we conclude about this for now?

A: That market participants will continue the current hot debate, taken up by the likes of Jim Cramer and many other more visible market commentators than me, that the current environment smells and tastes like the year 2000, in which complacency and justification for speculative market behavior gave way to three straight down years for the major stock averages. Back then the market was carried by the belief that the internet’s impact on business made the market a “one-way trade” (up). Today, the internet is a dominant part of our lives but the market’s backstop is the Federal Reserve’s bloated balance sheet, and the belief that the Fed has successfully navigated through the financial crisis.

Want another coincidence? It involves the market rally in between the two mentioned earlier: from October 11, 2002 (the market bottom post-tech bubble) until October 12, 2007 (the peak of the financial crisis) the market returned 95% over 1827 days. That’s a lower growth rate but the distance from market low to market high was just about the same length in days. Creepy? You betcha!

Here is one more obvious question: what happened after the market peaked in 2000?

- 1-year return was -21%
- 3-year return was -33%
- 5-year return was -18%
- 10-year return was -27%

And after the 2007 peak?

- 1-year return was -48%
- 3-year return was -26%
- 5-year return was -8%

My warning to you: don’t be complacent and don’t simply dismiss the history of investor behavior as smoke and mirrors. And most importantly, understand that after a 5-year rally in stock prices, you had better know what your portfolio strategy is, and how prepared it is for whatever may come.