

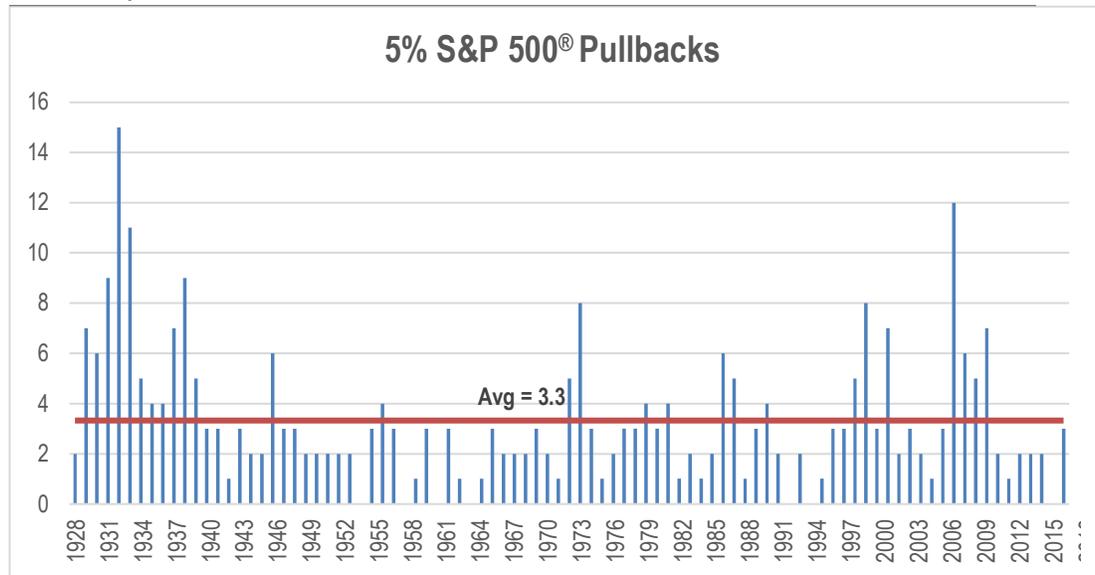


October 15<sup>th</sup>, 2018

## How do we know whether or not it's time to sell?

Last week's drop in the S&P 500® marks the 27<sup>th</sup> 5%+ pullback of this bull market and the third of 2018. We do not take these market moves lightly, but it is also important to put them into context — both relative to history and relative to the fundamentals. 5%+ pullbacks have historically occurred three times per year going back to 1928. Of those, less than 20% turned into 15% corrections and roughly 10% turned into full-blown bear markets. Given the frequency of short-term pullbacks, we rely heavily on the fundamentals to help us determine whether or not to sell.

### S&P 500® pullbacks of more than 5% since 1928



Source: Richard Bernstein Advisors LLC, Bloomberg

We believe that in order for this pullback to turn into a bear market, we would need to see signs of a profits recession, significant tightening up of liquidity and/or unrealistically bullish investor expectations. We see none of these signals today. While overseas profit fundamentals have slowed, we think investors may still be underestimating the nominal profit growth potential here in the US. Meanwhile, liquidity remains ample and the fears of a 2008 repeat remain.

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