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Understanding corrective cycles within bull market and how these correlate with the overall economic growth of a country

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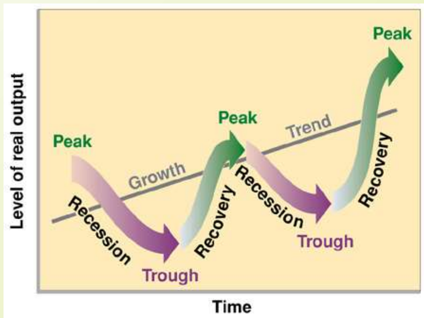
Fundamental analysis is broadly a top-down approach, ie economic analysis, industry analysis and company Analysis. The **economy of a country grows if the overall demand in the country grows in the broader perspective. Furthermore, the economy grows faster mainly if the demand exceeds the supply and if it's domestic demand then it's highly appreciated and a very bullish sign for the long-term growth of the economy.**

The demand rises due to a rise in the purchasing power, technological development, development of infrastructure, increase in consumption, educated workforce, customer acceptance of change in development of technology and infrastructure, product innovation, quality of services and use of imported goods.

There are four stages of an economic cycle: Depression, Recovery, Boom and Recession. Each stage of the economic cycle lasts for years from the broader perspectives and we can't say how long it may last. **One can say that if the economic developments stops or the demand stops due to a change in customer mood, then the country' economic cycle is at major turning point.**



One thing I want to highlight is that each stage of the economic cycle takes time and also consolidates into degrees of sub-cycles only because some internal and external factors influence it (like inflation, interest rate, currency and political news). Some times a stage may last for one to two years. So it's like sub-corrective waves in broad cycles of economy and from the perspective of technical analysis it's a bear market or (correction) within a bull market. In that case the market may get stuck in a range for one to two years before a trend emerges in the market. **It's a price-wise corrective market.**

Alternatively, if we are going to have a larger degree of super-powerful bull market, but it the economic and fundamental activities with the other internal and external factors (as mentioned above) take time to settle, then it may take around seven to eight years before a trend emerges. In that time the market may remain in a broad range. This is what happened in the 1993-2001 period in the Sensex and **it was a time-wise corrective market.**

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So one thing is very clear that small bear markets within a bull market last for one to two years as per the chart below. The only exception was the period 1993-2001 (most painful), ie a large bear market within a bull market.

The chart below shows all periods (from 1990 till 2011) of bear markets within bull markets.

So at the end of 2011 if we ended the bear market correction around 15000 levels in the Sensex, then we have already started the uptrend from the bottom.

But have all the economic and fundamental internal and external factors been resolved or not? That question has to be answered. If yes, then it is good and if not, then any rally will be driven by liquidity only and will falter at higher levels. Also, we will go for a time-wise corrective bear market (as had happened in the 1993-2001 period) before a strong bull market emerges.

But we all can agree that we are in a bull market as per the factors mentioned above that influence the demand needed to accelerate any country's economic growth. But within these bull markets we are some times unaware of the time-wise bear markets and price-wise bear markets.

If the market rallies and goes for a price-wise correction sharply, then it will be a healthy sign but if it spends a lot of time in a range then it can be read inversely (ie as a time-wise corrective market, most painful).

So, hope for the BEST by assuming 2011 was the year of BOTTOM and that we have already started the bull market rally.

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