Bull Market vs Bear Market

A [bull market](https://www.investopedia.com/terms/b/bullmarket.asp) is a market that is on the rise and where the conditions of the economy are generally favorable.

A bear market exists in an economy that is receding and where most stocks are declining in value.



Characteristics of Bull and Bear Markets

Although a bull market or a bear market condition is marked by the direction of stock prices, there are some accompanying characteristics that investors should be aware of.

**Supply and Demand for Securities**

In a bull market, there is strong demand and weak supply for securities. In other words, many investors wish to buy securities but few are willing to sell them. As a result, share prices will rise as investors compete to obtain available [equity](https://www.investopedia.com/terms/e/equity.asp).



In a bear market, the opposite is true: more people are looking to sell than buy. The demand is significantly lower than supply and, as a result, share prices drop.

**Investor Psychology**

Because the market's behavior is impacted and determined by how individuals perceive and react to its behavior, investor psychology and sentiment affect whether the market will rise or fall. Stock market performance and investor psychology are mutually dependent. In a bull market, investors willingly participate in the hope of obtaining a profit.



**Change in Economic Activity**

Because the businesses whose stocks are trading on the exchanges are participants in the greater economy, the stock market and the economy are strongly linked.



A bear market is associated with a weak economy. Most businesses are unable to record huge profits because consumers are not spending nearly enough. This decline in profits directly affects the way the [market HYPERLINK "https://www.investopedia.com/terms/m/marketvalue.asp" values](https://www.investopedia.com/terms/m/marketvalue.asp) stocks.