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Bullish vs. Bearish Markets Sentiments

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Market sentiment is the overall feel of the market at a particular time. It's displayed through market activity and price movement. At any given time, market sentiment can be bullish or bearish, depending on what's happening with prices. Investors who are positive on a particular market are bullish, while those who are negative on it are bearish.

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What Does Bullish & Bearish Mean?

What Bullish Means

When market sentiment is *bullish*, it means that prices are rising. For example, investors who are bullish on gold are buying it, sending the price up. In another example, investors who are bullish on Company A think the company has a bright future, so they load up on its shares, sending the price surging. Investors can also be bullish on commodities like wheat or soy, so they buy futures for those commodities, sending prices up.

What Bearish Means

When market sentiment is *bearish*, it means prices are falling. For example, a bearish investor shorted shares of Company A because they believed the price would decline. Another investor who was bearish on emerging markets sold all their positions in those markets and allocated that capital elsewhere. Investors can be bearish on any corner of the market, from foreign exchange to precious metals and commodities.

> ***Tip:*** *Bullish and bearish investors are complete opposites––like two sides of a coin. When investors are bullish, they're buying more of something, sending the price up, but when they're bearish, they're selling more of something, sending the price plummeting.*

Why Is It Called Bullish and Bearish?

There is no official source when it comes to the meaning of bearish and bullish. One of the most widely held and reported theories suggests the terms come from the direction in which each animal attacks. Bulls attack upward with their horns, while bears attack downward with their claws.

Merriam–Webster offers another suggestion. The dictionary states that the use of the bear came first and stemmed from a proverb which stated that it isn't wise "to sell the bear's skin before one has caught the bear." This theory dates back to the 18th century when investors used the term "bearskin" to sell the bearskin and "bearskin jobber" to refer to someone who sells the bearskin. Over time, the phrase was shortened to "bear," and it meant those who sold something before they owned it, which is what shorting a stock is.

The use of the word "bull" came to mean someone making speculative purchases. It appears to have been chosen as the opposite of the bear. Merriam–Webster points to a poem by Alexander Pope, who wrote in 1720:

> *Come fill the South Sea goblet full; the gods shall of our stock take care: Europa pleased accepts the Bull, and Jove with joy puts off the bear.*

The reference to the South Sea came from the South Sea Bubble, a scandal involving selling shares of the South Sea Company that people didn't own. The stock was soaring at the time because Spain's king had become the company's governor, and shareholders received triple-digit returns on their investments for a time.

Bearish vs. Bullish Markets

Bull markets occur over months or years when asset prices are rising. Technically speaking, traders refer to bull markets as periods when prices rise **at least 20% after a 20% decline**. However, it's only possible to know when a bull market has begun by looking into the past.

The longest bull market in history lasted from 2009 until 2020, starting at the end of the Global Financial Crisis and ending when the COVID-19 pandemic was underway. The bull market can be seen in the S&P 500, which bottomed out in March 2009 and continued to climb until late February 2020.

Bull markets usually last longer than bear markets, which are marked by a price decline of at least 20% from a recent peak.

> ***Tip:*** *The average bear market lasts less than 10 months, while the average bull market lasts almost three years.*

Bear markets differ from a correction, which is a **price decline of only 10% from a recent peak**. Most bear markets occur during a recession when unemployment is high and investor sentiment is low, although not every bear market occurs during a recession.

The two most well-known bear markets occurred during the Great Depression in the 1930s and the Great Recession from 2007 to 2009, although bear markets have occurred throughout history. Sometimes only part of the market is in a bear phase.

FAQ

What's the difference between a bullish and bearish stock?

"Bullish" and "bearish" refer to individual sentiment that leads to buying or selling behaivor around a stock, sector, or the market as a whole. If a stock is "bullish", investors are feeling favoriable about the prospects of the company and buying. The opposite is true of a stock considered "bearish".

This article was written by

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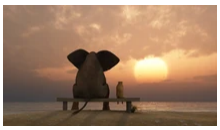

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