Rally

REVIEWED BY WILL KENTON | Updated Feb 22, 2018

What is a {term}? Rally

A rally is a period of sustained increases in the prices of stocks, bonds or indexes. This type of price movement can happen during either a bull or a bear market, when it is known as either a bull market rally or a bear market rally, respectively. However, a rally will typically follow a period of flat or declining prices.

BREAKING DOWN Rally

A rally is caused by a significant increase in demand resulting from a large influx of investment capital into the market. This leads to the bidding up of prices. The length or magnitude of a rally depends on the depth of buyers along with the amount of selling pressure they face. For example, if there is a large pool of buyers but few investors willing to sell, there is likely to be a large rally. If, however, the same large pool of buyers is matched by a similar amount of sellers, the rally is likely to be short and the price movement minimal.

Identifying a Rally

The term “rally” is used loosely when referring to upward swings in markets. The duration of a rally is what varies from one extreme to another, and is relative depending on the time frame used when analyzing markets. A rally to a day trader may be the first 30 minutes of the trading day in which price swings continue to reach new highs, whereas a portfolio manager for a large retirement fund looking at a much larger picture may perceive the last calendar quarter as a rally, even if the previous year was a bear market.