



## A long-time bull throws in the towel

Commentary: Dan Sullivan's model stock portfolio is now 100% in cash

By [Mark Hulbert](#), MarketWatch

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**ANNANDALE, Va. (MarketWatch) -- Stock market bulls lost an important ally on Wednesday: Dan Sullivan is now convinced that we are in a major bear market.**

Sullivan is editor of two newsletters, The Chartist and The Chartist Mutual Fund Letter. Sullivan has been publishing the first of these since the late 1960s, nearly 40 years ago. Very few others have been continuously editing an advisory newsletter for any where close to that long a period. Sullivan, therefore, has seen lots of different kinds of market environments, which is why we should place more than the usual weight on what his intuition tells him. And right now, as he said in an interview Thursday afternoon, his "gut feeling" is that we're in a bear market that we will need to let "run its course." That's Sullivan's way of saying that the decline he now expects is not likely to be a small one, either in terms of duration or magnitude of losses. As recently as the publication date of the last issue of Sullivan's newsletter, which was in early January, he was still bullish on the stock market's primary trend. What changed in the interim?

Sullivan mentioned two major factors. The first is technical: In recent days, all of the major market averages convincingly broke below their August lows. The second is the breakdown of the industry groups that were previously leading the market. Sullivan believes that each bull market is dominated by groups with exceptional relative strength, and that the bull market's end is often signaled when those groups lose that strength. As recently as early January, Sullivan had argued that these market leaders were still bucking the downdraft. He says that they are doing so no longer. **As a result, Sullivan has liquidated his two model stock portfolios and gone completely to cash.** The last time he was in an all-cash position was in early April 2003, nearly five years ago. Would Sullivan anticipate recommending short sales for his model portfolio? He said "no," on the grounds that it is difficult to turn a profit when shorting a stock, even when we're in a bear market. There are too many ways in which you can be "right" about the stock and still lose money, he said. The safest place to be, for now, he said, is "cash or the equivalent." For the record: Sullivan's newsletter is in 4th place among the services the Hulbert Financial Digest has tracked over the last 25 years. ■

*Mark Hulbert is the founder of Hulbert Financial Digest in Annandale, Va. He has been tracking the advice of more than 160 financial newsletters since 1980.*