Since early October, markets are undergoing vast sell-offs of stocks. This sell-off just accelerated in the past days, with the three major US indices sliding more than 9% from record highs earlier this year. More than $800 billion in value was wiped out from the S&P 500 in just two days whilst the Dow Jones Industrial Average slid by 500 points, meaning that the indices lost all of their 2018 gains.

Altogether, 45% of S&P 500 stocks dipped. This means that some sectors have been hurt more than others, especially those with unsteady revenues and high leverage. Industrials, Materials and Energy are sectors that have lost all gains made in 2018 since the September slowdown. Additionally, Consumer Discretionary, Health Care and Technology have also dipped but not as much to wipe out all 2018 gains. Technology has particularly suffered because of the decreasing microchip sales resulting from concerns over a trade dispute with China and Bitcoin's free fall, whilst the FAANG stocks have lost more than 20% of their value as a result of lower than expected iPhone orders and the negative fallout of Facebook's problems with fake news.

Market volatility, particularly in the oil market has therefore made a comeback. There is not one bad news behind the current bearish momentum in markets, but rather many concerns that feed into one another. First of all, investors know full well that the US economy is entering the last stage of its bull cycle and also seem to fear a looming global growth downturn, especially considering that the price-to-earnings ratio of companies in the S&P 500 has been the lowest since 2014. In the US, expectations of a downturn are especially understandable considering that the 2017 tax cuts, which saw the corporate tax rate slashed from 35% to 21%, is gradually losing its expansionary effect.

On a more global level, the oil market perfectly captures fears of a global downturn as traders seem to agree that 2019 will see lower growth and lower energy demand, thus driving the price of the Brent crude barrel to a 2018 record low of $58.79 on the 23rd of November. Such concerns are principally due to the growing tensions between the US and China, as the latest APEC Summit in New Papua Guinea did not alleviate fears of Trump imposing 25% tariffs on some Chinese goods by next January, thus exacerbating this country's economic slowdown, which will have significant international consequences. Finally, the Fed's interest rate hikes, now around 2-2.25%, has raised fears that highly leveraged companies in the US will not be able to roll out debt, a point that we later cover in this analysis.

Yet, despite the significant stocks sell-off, there are a few points to consider which can decrease one's concerns over what is currently happening in markets. First of all, we are not in a recession, but

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rather entering the late US bull cycle slowdown. The economic fundamentals remain strong in the US, with record-low unemployment and high industrial output. This is why the Fed has felt confident in raising interest rates. Consumer spending in America has not shown signs of losing breath and sectors having steady revenues, like Utilities, Consumers Staples and Big Pharmaceuticals, have continued to grow. Also, the breadth of the stock sell-off remains limited, at 45% of S&P 500 stocks losing value.

What has happened was in fact to be expected. Indices like S&P 500 have grown by nearly 300% since 2009 thanks to robust earning growths from companies but also investors accepting exceptionally high premiums for those earning. Sell-offs can be seen as necessary repricing, doing away with overbearing investments and making equities more desirable. Through this correction of the market, we are likely to see a postponement of the bear cycle, and the current slowdown is unlikely to continue for much more time: Morgan Stanley's analysts believe that 90% of the valuation damage the market has suffered in the sell-off is already accomplished.

Overall, a bull market should not come before Spring 2020 the earliest. Estimating high yield issuance down by 32% this year compared to 2017 and the lowest bond defaults in 6 years for 2019, Fitch Ratings is another institution that holds that the market is not likely to fall into recession in the short term. This optimism could only be warranted if the late November G20 Summit in Argentina leads to a breakthrough in trade talks between China and America.

On the other hand however, if geopolitical risks increase next year, the bear market could arrive sooner than later. Indeed, with risks of lower global growth and higher protectionism, companies could have a hard time rolling over their debt, especially considering that the Fed could raise interest rates four times in 2019, according to J.P.Morgan. With over $9 trillion of corporate debt, the US economy could be greatly hurt by the relegation of companies like General Electrics to the status of junk bond, especially considering the higher possibility of a yield curve inversion. Also, 2018 recorded the second highest M&A value in history, with deals worth $2.72 trillion. The only time M&A value raised above this number was 2007, the year prior to the Great Financial Crisis.

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