

Philequity Corner (March 12, 2012)
By Valentino Sy

Happy Birthday, Bull Market

The bull market turned 3 years old last week. For us, the bull market in global stocks actually started when the benchmark S&P 500 index hit 666 on 3-6-9 (March 6, 2009). In fact, back then we wrote several articles about the impending turn of the markets and the opportunities that it presented to the vigilant and watchful investor.

Bear Watching

As early as July 2008, we advised investors to go bear watching. We believe that studying the bear market characteristics will allow investors to discern the turn of the market from bear to bull.

“Trying to catch the bottom is not without risks especially in the current crisis environment. However, this is the best time to go bear watching. We have to watch closely and study carefully the movements that this bear market makes. This is not the time to give up because the opportunities are huge, especially for the nimble and the timely.” – (Bear Watching, July 20, 2008)

On October 2008, we said that those with cash and courage will be greatly rewarded especially when the market is turning around.

“With fear and panic gripping the markets, those holding cash will be able to cherry-pick the bargains. In contrast, those without cash will have to sit on the sidelines and watch this once-in-a-lifetime opportunity go by. There are a lot of opportunities in a market turning around even if the risks are also high. This brings to mind what Warren Buffett said: Cash combined with courage in a crisis is priceless.” – Cash and Courage, October 20, 2008

Opportunity of a Generation

During the last week of October 2008, we said that there were already signs that the turn was near. On that historic week, the PSEi actually bottomed.

“Despite all the gloom and doom, there are some signals that a turn in the markets is near. The CBOE Volatility Index (VIX) or the so-called investors “fear index” shot up to a record high of 89.53. There were also extremely wild swings in the currencies and commodities markets – all of which are indications of “panic” and “capitulation”. Prices often exhibit wild swings during market tops and bottoms. These wild swings in stocks, currencies and commodities typically characterize major inflection points.” – Bubbles Bursting, October 27, 2008

And we saw this as an opportunity of a generation.

“With all asset classes dropping like a rock, it looks like there’s blood in the streets. In watching markets plummet, investors holding on to their investments are having cold sweat. And as markets continue to slide, their eyes go teary as losses accumulate. In this type of environment, there’s nowhere to hide. While others are in a state of shock, we see this backdrop as an opportunity of a generation.” – Opportunity of a Generation, November 3, 2008

Calling the bottom of the US markets

On March 2009, exactly 3 years ago, we wrote in this column that the bottom in the US market is at

hand.

“It is not surprising that only a few would dare to call a bottom this time around because the bulls have already given up and most of the bears have turned early bulls and were wrong... Nevertheless, we think that the odds have dramatically improved that an important bottom is at hand.” – (see 666, March 23, 2009)

“It is such a coincidence that the S&P 500 Index bottomed at 666 on 3-6-9 (i.e. March 6, 2009). While these numbers have important meanings when viewed in the concept of numerology, for us, they are significant because they quite possibly marked the ultimate bottom in stocks – the opportunity of a generation.” – (see 666 on 3-6-9, April 13, 2009)

Investing in stocks

With this anniversary of the 3-year bull market, we want to reiterate that holding stocks in one’s portfolio is important because stocks give the biggest returns in the long run. Since the markets bottomed in 2009, the Nasdaq Composite is already up 136.1 percent while the S&P 500 index has gained 105.6 percent. The developed markets shown below returned an average gain of 76.6 percent over the past three years.

Developed Markets	Index	2009	1-Year	2-Year	3-Year
		Price Low	%Chg	%Chg	%Chg
US	Nasdaq Composite	1265.62	83.8%	120.0%	136.1%
US	S&P 500	666.79	70.8%	98.1%	105.6%
US	DJIA	6469.95	63.3%	88.1%	99.7%
Germany	Dax	3588.89	63.8%	100.0%	91.7%
UK	FTSE	3460.71	61.8%	73.1%	70.1%
Canada	TSE 300	7479.96	60.1%	90.5%	67.2%
France	CAC 40	2465.46	58.6%	63.1%	41.5%
Japan	Nikkei 225	7021.28	47.7%	52.3%	41.4%
Australia	ASX 200	3090.8	54.4%	60.4%	36.3%
				average	76.6%

In Asia, Indonesia’s Jakarta Composite Index led with a 220.6 percent gain, while Philippines’ PSE Index returned 185.4 percent. On average, Asian markets have returned 123.6 percent return over the past three years.

Asian Markets	Index	2009	1-Year	2-Year	3-Year
		Price Low	%Chg	%Chg	%Chg
Indonesia	JCI	1244.87	107.2%	184.6%	220.6%
Philippines	PSEi	1745.39	75.9%	122.5%	185.4%
Thailand	SET	408.78	77.1%	143.6%	183.5%
India	Sensex	8047.17	111.2%	129.7%	117.5%
Korea	KOSPI	992.69	64.7%	101.9%	103.3%
Taiwan	TAIEX	4164.19	84.1%	111.0%	92.5%
Malaysia	KLCI	836.51	55.4%	82.0%	88.8%
Hong Kong	Hang Seng	11344.58	83.2%	106.3%	85.9%
China	SSE	1844.09	64.4%	59.6%	35.2%
				average	123.6%

For those who have never invested in stocks before, you could start with small amounts like even 5 percent of your total assets. Meanwhile, those who have no time or expertise in stocks could put their money in mutual funds and leave their investments to the professionals.

In the case of Philequity Fund, one peso invested back in 1994 is now worth 24.26 pesos. And despite all crises the world has gone through since then (from the 1997 Asian crisis, to the US subprime and credit crisis, and lately, the European sovereign debt crisis), our annualized return for the past 17 years is 20+ percent per annum.

For further stock market research and to view our previous articles, please visit our online trading platform at www.wealthsec.com or call 634-5038. Our archived articles can also be viewed at www.philequity.net.