

Philequity Corner (February 03, 2014)

By Valentino Sy

The Course of the Horse

This lunar year is the year of the Wooden Horse. It began last Friday, January 31, 2014 and will end February 18, 2015. New Year always brings hope for a better year in all aspects of our lives – relationships, health and business. This is why we gather in big family reunions wearing bright red colors and eating a feast to welcome the New Year in good spirits. We carry on traditions, like setting off fireworks, to drive away bad luck. We eat *tikoy* and give money in red envelopes (*ang pao*) to children to attract wealth.

In the past, we have written about the Chinese New Year (see *Snakes and Stocks*, Feb 11, 2013 and *Enter the Dragon*, Jan 23, 2012). In this article, we list down our hopes for this year in light of the traits and characteristics of a Horse.

Recap: Year of the Snake

But first let us recap what happened last year, the year of the Water Snake. Talk about Snakes and Ladders! The PSE Index fluctuated wildly in the last lunar year, rising and falling an average of more than 10 percent in very short periods (e.g. two-months or less). The peak of the lunar year was at 7,385 on May 22, 2013 while the lowest was seen at 5,738 in August. In the end, the index managed to close at 6,041 giving a negative return of 6 percent for the lunar year.

Significant Dates	PSE Index	Remarks
Feb 08, 2013	6,459	Starting level for the Year of the Snake
Mar 06, 2013	6,835	6% rise in a month's time
Mar 21, 2013	6,473	5% slide in two weeks' time
May 22, 2013	7,385	14% rise in two months' time; But on the evening of May 22, the US Fed announces possibility of tapering stimulus
June 26, 2013	5,789	22% slide in a month's time
July 24, 2013	6,804	18% rise in a month's time
Aug 28, 2013	5,738	16% slide in a month's time
Oct 23, 2013	6,635	16% rise in two months' time
Dec 12, 2013	5,763	13% slide in two months' time; Typhoon Yolanda hits in mid-November
Jan 24, 2014	6,192	7% rise in a month and a half's time
Jan 30, 2014	6,041	Last trading day for the Year of the Snake giving a -6% return for the lunar year

Bold Spirit

Now that we say farewell to the Water Snake, we can contemplate the gifts that this Wooden Horse will bring. A horse is a very strong animal with a bold and free spirit. Hence, our leaders may succeed in implementing change if they are both bold and noble in their actions. We are hopeful that President Aquino will continue his fight against corruption in government and will finally get the Public-Private Partnership program rolling. It is important for investors to see that the Philippine government is committed in its reforms. The perception that our country is going to change for the better will make investors more confident about entering our markets.

Unpredictability

A horse may have bursts of wild rampages which makes it an unpredictable creature. One thing easily comes to mind with regard to being wild and unpredictable: natural disasters. Although we may see typhoons again this year, we can hope that we as a nation will be more and more prepared to face them – that contingency and rescue plans are being drawn up and rehearsed, that citizens will cooperate and be organized in the face of destruction and that everyone will continue to be generous and compassionate towards their fellow Filipinos who would be victims of these natural calamities. But most of all, we hope that there will be none this year.

Fight or Flight

A horse is said to have a good Fight or Flight sense. They generally flee in the face of danger. But when they are cornered or when their young are threatened, they will put up an excellent fight. Knowing when to fight or flee is important in many aspects of life. This includes investments. Sometimes, in order to survive in the stock market, one must flee fast. This means to take profits and lighten one's positions substantially. But at the point when the market seems to be capitulating, investors should know how to muster the courage to buy stocks. Investors who can put up a fight at the most fearful times will emerge victorious.

A Fiery Year

The element of fire is said to be abundant this year. Fire is what we use to cook our food, to combust fuel and gasoline and to keep ourselves warm. Hence, *feng shui* masters say that this year will be lucky for businesses related to food, gasoline, electricity and technology. Fire also symbolizes passion so it is advised that we bring passion and enthusiasm in our respective workplaces. Our individual flames can inspire others and combine to become the engine for our economy.

Fun Fact

Just for fun, we gathered data from the past 12 years (since there are 12 Chinese zodiac signs). We found that the CAGR for the past 12 *lunar* years was 13 percent while the 12-year CAGR for the *Gregorian* calendar was 14 percent.

Year	Sign	PSE Index at Start of Lunar Year
2002	Horse	1,366
2003	Sheep	1,057
2004	Monkey	1,561
2005	Rooster	2,030
2006	Dog	2,122
2007	Pig	3,334
2008	Rat	3,229
2009	Ox	1,857
2010	Tiger	2,950
2011	Rabbit	3,891
2012	Dragon	4,748
2013	Snake	6,459
2014	Horse	6,041

Diligence is the mother of good luck

We in Philequity would like to wish you a prosperous New Year. Whether you believe in *feng shui*, Chinese zodiac signs and astrology, we strongly believe that hard work can create one's fortune. *Diligence is the mother of good luck*. Being diligent in doing research will allow you to pick the right stocks and mutual fund. Time and time again, we have reminded our readers to know what they are buying. *What is the business and what are the growth prospects of the company? How much are you paying for its stock? What is the track record of your mutual fund? How many years has it outperformed the market? Who is the fund manager? Has the fund manager changed?* Recently, fund managers have been moving around. Hence, it would be advisable to know if the fund manager has changed as this would affect future returns of the fund. These are the very basic questions that an investor must be able to answer. So work hard and don't give up. *Kung hei fat choy!*

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