



Philequity Corner (February 5, 2018)

By Wilson Sy

Super blue blood moon triggers blood bath in stocks

Last Wednesday, millions around the world witnessed a rare full moon occurrence called the super blue blood moon. Fortunately, the clear night sky in the Philippines provided an ideal backdrop for stargazing and moon-watching. But beneath the calm sky and picturesque moonlight, there was turmoil in global stock and bond markets as the Dow dropped an ominous 666 points last Friday and 1,096 points for the week.

Superstitions and stocks

Investors are actually quite a superstitious lot though many may not admit it upfront. Aside from studying fundamentals, technicals, macroeconomics, seasonality and historical patterns, many investors use other disciplines to guide their investment decisions. These may include non-conventional and mystical fields such as geomancy (feng shui), numerology and astrology. It is also common to see people exhibit superstitious behavior by favoring directional orientation, lucky numbers, days, shirts or even underwear colors and patterns. One field that has always captured interest is the study of lunar cycles and its impact on human behavior and the stock market.

Lunar trifecta

Last week, we saw an extremely rare type of full moon. The super blue blood moon is actually a confluence of three lunar events all happening at the same time. Below, we explain the components that make up a super blue blood moon.

1. A supermoon takes place when the moon is at the point in its orbit which is closest to the Earth, making it appear 14% bigger and 30% brighter than a regular full moon.
2. A blue moon is the second full moon in one calendar month.
3. A blood moon occurs when the full moon appears red during a total lunar eclipse.

Each one of these is an uncommon kind of full moon. Thus, all three occurring at the same time is an unusual and historic event.

Heightened market volatility during full moon

In one of our previous articles, we explained that the stock market tends to be more volatile on either direction during full moons (*Supermoon*, March 21, 2011). Based on our experience, upside or downside moves in the stock market are more pronounced whenever the moon is full. This can be partly explained by moon theory, a pseudo-science which studies the influence of lunar cycles on human behavior. Many have observed that unstable people or those with mental health issues tend to exhibit more erratic behavior during full moons. Moreover, mood swings generally tend to be more exaggerated when the moon is full. Perhaps, this is the reason why words and phrases such as “lunacy and “lunar madness” are now part of the English language.

Blood moon ignites blood bath in stocks

True to form, the super blue blood moon brought heightened volatility and triggered a steep plunge in global stocks last week. After a strong start for the New Year, the Dow dropped a rare and ominous 666 points last Friday. Global stocks bathed in a sea of red as the Dow, S&P 500 and Nasdaq plunged by 4.1%, 3.9% and 3.5%, respectively, last week. Meanwhile, the PSEi dropped 148 points the day before the full moon and another 146 points on the day of the super blue blood moon, resulting in a 3.2% decline over two days.

PSEi's performance last week

Date	PSEi	Chg in Pts.	% Chg
01/29/18	9,059	17.42	0.2%
01/30/18	8,910	-148.14	-1.6%
01/31/18	8,764	-146.47	-1.6%
02/01/18	8,739	-25.29	-0.3%
02/02/18	8,811	21.19	0.8%

Source: Wealth Research

Super blue blood moon – a rare occurrence

We tried to study the possible correlation between the super blue blood moon and the Philippine stock market. The super blue blood moon was last seen in the Western hemisphere in 1866. However, there was no stock exchange yet in the Philippines (the Manila Stock Exchange was incorporated in 1927). The super blue blood moon last occurred in the Philippines on December 30, 1982. There was no Philippine Stock Exchange at that time (Manila and Makati Stock Exchanges stood as separate bourses in 1982) so there was no PSE Index to speak of. Back then, stock market activity was moribund as the economy went through the Martial Law years. Daily trading volume was less than P1m for both the Manila and Makati Stock Exchanges as trading activity only picked up after the EDSA Revolution in 1986.

Lunar madness or coincidence?

Some market pundits doubt that full moons can affect stock market movements. Yet, the eerie coincidence of last week's stock market blood bath with the blood moon cannot simply be ignored. Last week's events may reinforce the role of superstition in investing and the connection between full moons and the gyrations of the stock market. Notwithstanding the stock market blood bath during the super blue blood moon last week, we believe that corporate fundamentals and macroeconomic conditions will ultimately dictate where the market will go in the long-term.

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