Your Wealth Bulletin

June 2008

In This Issue

Bull and Bear Markets

Join our list

Join our mailing list!

Hi,

Tax Time is here. While it's ideal to plan tax minimisation strategies over the whole year, any tax planning is better than none. If you've left it to the last minute, but would like some help, feel welcome to call or email.

This month, we'll examine the nature of bull and bear markets in more detail.

Bull and Bear Markets

Historical review

Since November 2007 sharemarkets have suffered sharp falls, particularly the Australian market. Given the nature of markets to go up and down on a regular basis, and for investors sentiment to feel like it's been 'down' forever, it's interesting to look back and see how long bear markets and bull markets last for.

Since February 1970, we've experienced 9 'bear markets' on the Australian index. A bear market is a prolonged period where prices fall. On average, the Australian market has one in about every four years.

During this period, the average bear market fall has been 32.1% in annual terms, with a 51.8% fall the sharpest back in 1974-75. The average duration was 14 months.

On the rising tide of the equation, the average bull market lasts about 42 months and the average annual return is 27.5%.

The largest rise was in 1983-88 with a huge 386.7% return over 66 months.

We have on hand a graphical image of this bull and bear market performance, and it's very obvious that at the end of the bear market, an extremely rapid and vertical rise ensues. This is the commencement of the bull market.

Unfortunately, it is impossible to predict when the bottom of that bear market is. Furthermore, based upon the sharp and sudden turnaround from bear trend to bullish rise, it can be a costly mistake to be out of the market when the tide does turn the other way.

The US markets show markedly similar results. The bull market trends occur in a relatively short timeframe from the bottom of the bear market, with a history going back to 1951.

Their bull markets average 57 months, for a 17.7% average annual return.

The bear market average 15 months, for a 29.7% average annual decline.

In summary, while it can be an uncomfortable ride down with markets, if history is any guide at all, we can learn the following:

- More often than not, bear markets last months rather than years
- Historically there has been very sharp and sudden rises that end bear markets
- There is no pattern to when bear markets end
- If you're not invested at the end of the bear market, you miss significant returns
- Bull markets tend to run longer than bear markets
- Bull markets, after that sharp turnaround, tend to slowly rise afterwards

If you would like a copy of the Bull & Bear Markets graph, please email us at enquiries@reedfinancial.com.au and we'll email you a copy.

If you have any queries about this month's newsletter or would like to discuss your financial situation in more detail, please feel free to email or call our office on (02) 9525-0777. If you would like to forward this email to a friend, click on the forward email link below.

Email: enquiries@reedfinancial.com.au
Phone: (02) 9525-0777
Fax: (02) 8521-7215
Web: http://www.reedfinancial.com.au

Forward Email to a Friend