

*(Beware the bears! — they are never far away)*



# Aussie Bear and Bull Markets

(in the last two decades)



If we can better understand the past,  
we can better understand the future.

*Robert Brain*

January 2010  
(revised)



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Revision 9

**Beware!**  
The *bears*

## Introduction & Housekeeping

### About this presentation

1. This presentation provides information about the Australian bear and bull markets over 2 decades.
2. These slides are available to download (in PDF form) from Robert's web site (see link below).
3. These slides make a lot more sense if you have heard the commentary that goes with them.
4. If you have not heard the presentation commentary, you can look for more information on the web in the **Members Section** of Robert's **Share Market Toolbox** web site (to be posted in January 2010).



**Brainy's Share Market Toolbox**  
[www.robertbrain.com/members-area/](http://www.robertbrain.com/members-area/)



# AGENDA

1. Aussie bear markets, and bull markets, in the last two decades.
2. Including:
  - (a) Patterns and repeat behaviour
  - (b) Beware the newspaper HEADLINES
  - (c) Bear markets and corrections
  - (d) Bull markets
  - (e) Observations and Conclusion?
3. Interactive session — discussion as we go.



# Important Notice

1. This presentation does not include any advice.
2. For proper advice, your personal financial situation needs to be considered.
3. This presentation is pure education, only for your general awareness.
4. There are no recommendations to take any action, or to invest any money in any way.
5. Always consult a properly licensed advisor before making investment decisions.



# Important Notice



## Patterns and Repeats

- Technical Analysis relies on patterns and repeats of behaviour.
- So, look for repetitive patterns.
- “Cycles” are important.



# Newspaper Headlines

It helps to  
maintain  
perspective...



“Happy days: super funds back to  
double-digit growth”

AFR paper  
Wednesday  
16 December  
2009

THE AUSTRALIAN  
**FINANCIAL SERVICES**  
WEDNESDAY 16 DECEMBER 2009

## Happy days: super funds

**Sally Patten**

Superannuation funds are on track to post double-digit gains for calendar 2009, their best performance in three years, after an improvement in the economic outlook triggered a surge in global sharemarkets over the past nine months.

The median default super fund is expected to rise 12.1 per cent in the

**FINANCIAL SERVICES**

**'It's time some of the conventional wisdom surrounding the super industry was debunked.'**

— Editorial, page 54

12 months to December, a dramatic turnaround on the average 20.7 per cent plunge in the value of super fund balances in 2008.



**Beware!**  
The *bears*

## Newspaper Headlines

### “Happy Days” — Are they really?

**Great news!**

“...double-digit gains!...”

Superannuation funds are on track to post double-digit gains for calendar 2009, their best performance in three years, after an improvement in the economic outlook triggered a surge in global sharemarkets over the past nine months.

WEDNESDAY 16 DECEMBER 2009

# Happy days

Sally Patten

Superannuation funds are on track to post double-digit gains for calendar 2009, their best performance in three years, after an improvement in the economic outlook triggered a surge in global sharemarkets over

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12 months to December, a dramatic turnaround on the average 20.7 per cent plunge in the value of super fund balances in 2008.

**But read the detail...**

“...after a 20% plunge!”

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## Newspaper Headlines

### Is this acceptable?

**All Ords (XAO)**  
From peak of  
2007 to now.



“My investment tracks  
the index, and I am  
down 31% !!!”

“But that's okay,  
because I am up 43%  
from the lows of  
March 2009 !!!”

What do  
you think?

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# Alternative Newspaper Headlines

Consider the following  
alternative newspaper headlines  
which we have seen at various times.

*[It helps to maintain perspective.]*



# Alternative Newspaper Headlines

True or False?

1. “Market down 22%...”
2. “Market down 32%...”
3. “Market up 19%...”
4. “Market up 28%...”
5. “Market up 51.6%...”
6. “Market up 5.2%...”

*How often do you see conflicting  
or confusing headlines like these?*



**Beware!  
The bears**

# Newspaper Headlines

1. "Market down 22%..."



... last Financial Year (FY09)  
(July 2008 to June 2009)

**True!**

**Beware!  
The bears**

# Newspaper Headlines

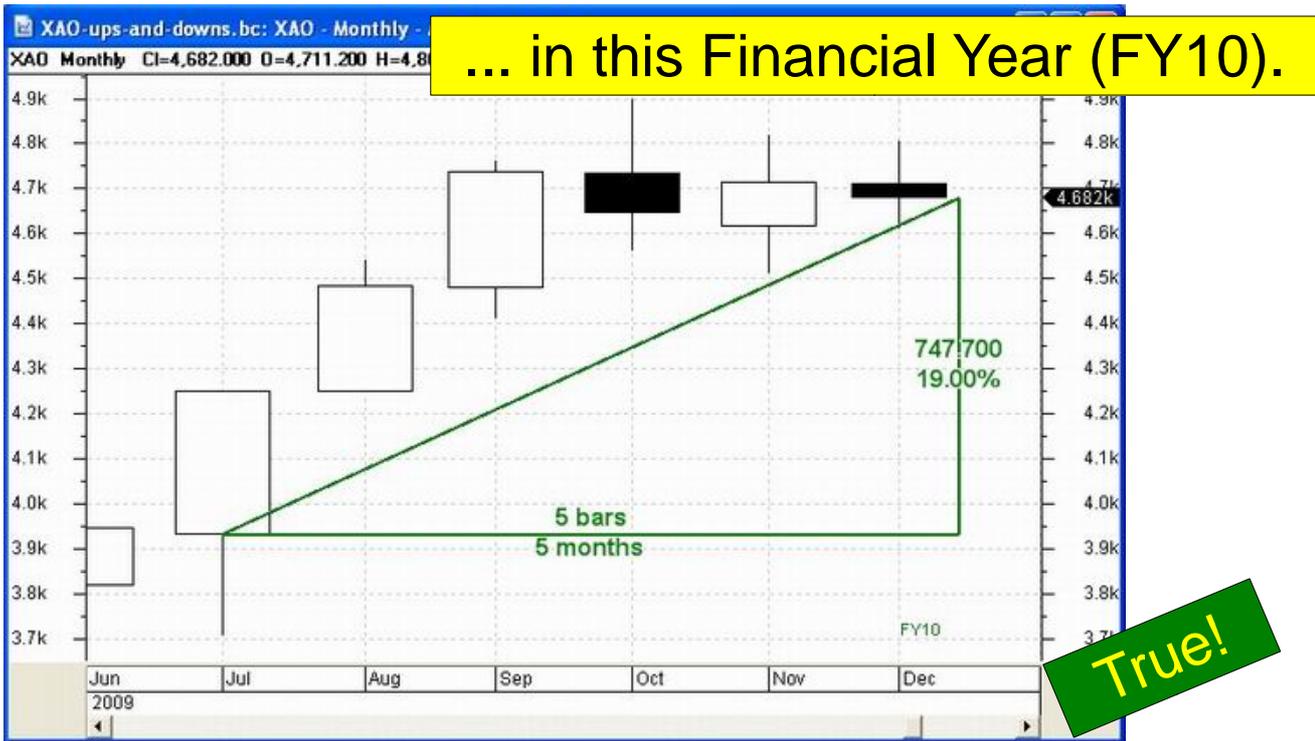
2. "Market down 32%..."



... from the Nov 2007 peak to now.

**True!**

## 3. "Market up 19%..."



## 4. "Market up 28%..."

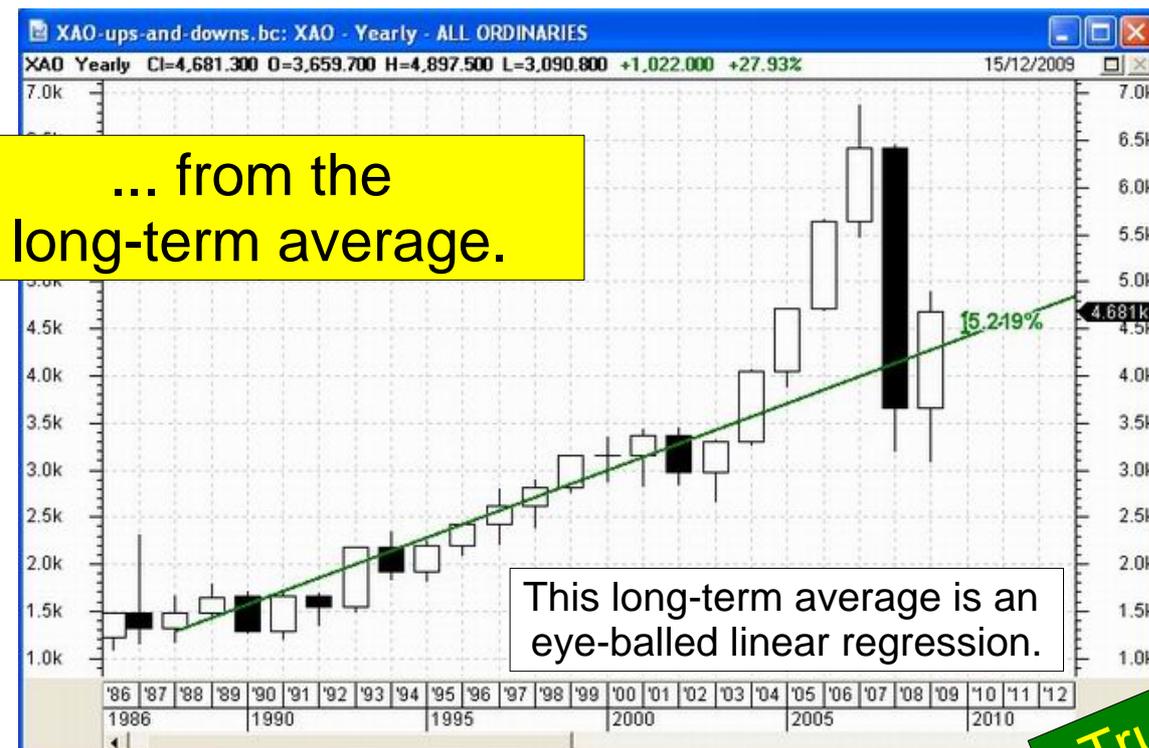
... in this calendar year (2009)



## 5. "Market up 51.6%..."



## 6. "Market up 5.2%..."



## Alternative Newspaper Headlines

***Beware of the context:***

All true!

1. Market down 22% ... in FY09
2. Market down 32% ... since Nov 2007 peak
3. Market up 19% ... this Financial Year (FY10)
4. Market up 28% ... this Calendar Year (2009)
5. Market up 51.6% ... since March 2009 lows
6. Market up 5.2% ... from a long-term average.

(Note: These figures apply to **Monthly** charts — see over...)



## Weekly figures are different

- The figures on the previous slides are on **Monthly** charts.
- Monthly charts are good for “big” picture.
- The figures for **Weekly** charts are different:
  - Some percentage amounts vary up/down.
  - Some dates for highs/lows are a little different.
- In the following slides we look at Weekly charts.



# Newspaper Headlines

Conclusion:

Take with a grain of salt.  
What is the “starting point”?

*Maintain perspective.*



### Recent Bear Markets

A quick look at recent  
bear markets (>20%) and  
market corrections (>10%; <20%).



*If we can better understand the past,  
we can better understand the future.*



### Definition — Bear Market

#### ***Bear Market:***

- A fall of more than 20%

#### ***Correction:***

- A fall of more than 10%; but
- less than 20%

\* - These are the generally accepted definitions.



### When is a bear market over?

What is the criteria that defines when a bear market has ended?

- ?



## When is a bear market over?

What is the criteria that defines when a bear market has ended?

- ?

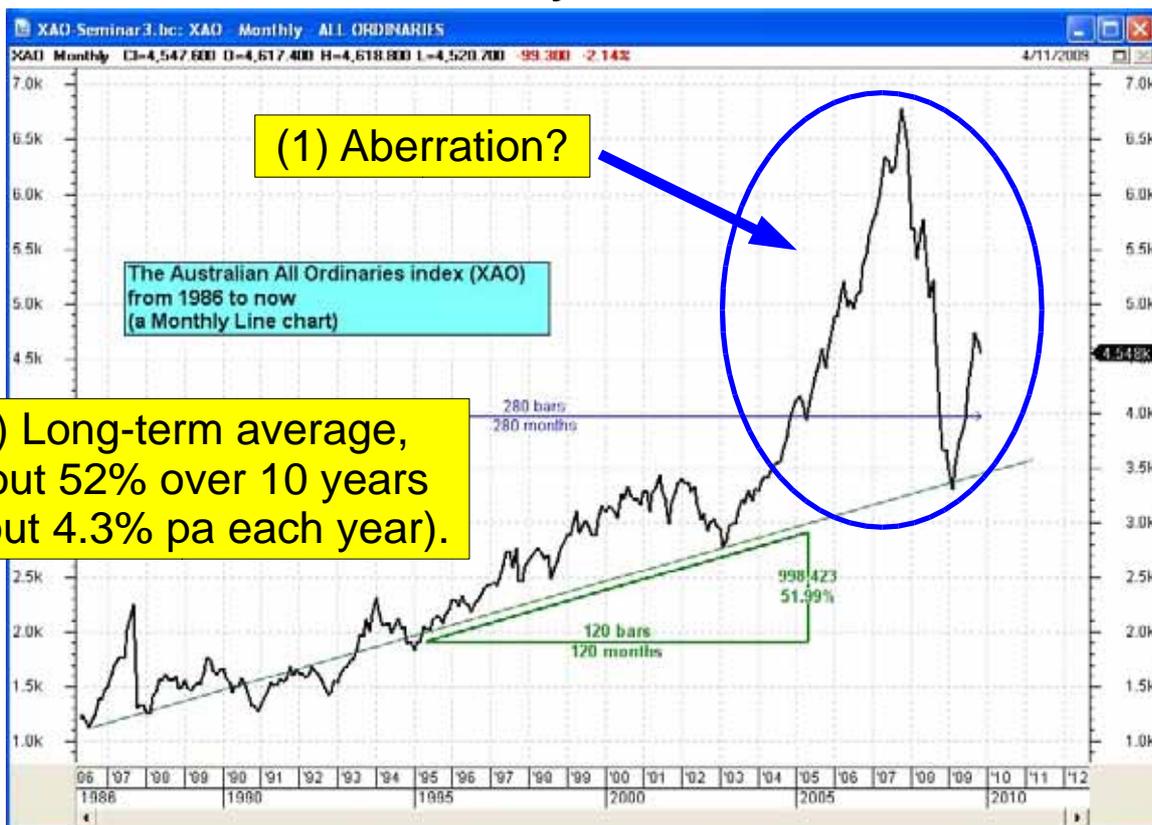
*The answer is not clear.*

*There is no definition.*

*BUT we will know later in hindsight.*



## Recent history — 1986 to 2009



## Recent history — 1987 to 2009

| Bear Markets and Corrections — 1987 to 2009 |            |                           |         |                 |                              |       |
|---|------------|---------------------------|---------|-----------------|------------------------------|-------|
| Start Date                                  | From Point | Bear Market or Correction | Amt (%) | Weeks to bottom | Time to recover to past high |       |
|   |            |                           |         |                 | Weeks                        | Years |
| Sept 1987                                   | A          | Bear market               | -48     | 21              | 470                          | 9.0   |
| Oct 1989                                    | E          | Bear market               | -30     | 65              | 194                          | 3.7   |
| Nov 1991                                    | G          | Correction                | -19     | 53              | 80                           | 1.5   |
| Jan 1994                                    | I          | Bear market               | -21     | 53              | 150                          | 2.9   |
| Sept 1997                                   | K          | Correction                | -11     | 5 or 50         | 66                           | 1.3   |
| June 2001                                   | O          | Correction                | -21     | 88              | 152                          | 2.9   |
| Oct 2007 *                                  | S2         | Bear market               | -54     | 73              | 113                          | 2.2   |

\* — Latest bear market has not yet finished.

Note: The letters in the "From Point" column refer to points on the charts.



## 1987 to 1996

Some significant falls (and rises) over a 10-year period.



**Bear Market "A" — Sept 1987 - Sept 1996**

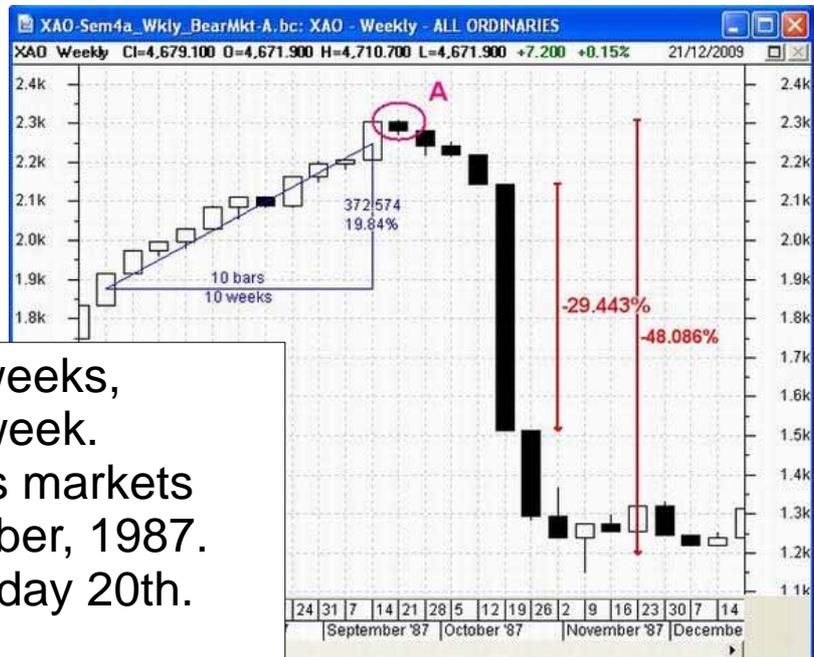
**Down 48% in 5 months.**

**New highs after 9 years!**



**Bear Market "A" — Special Mention**

**The infamous "Black Monday" 19 October, 1987**



- XAO rose 20% in 10 weeks,
- Then fell 30% in one week.
- The crash hit overseas markets on Monday 19th October, 1987.
- It hit Australia on Tuesday 20th.

## Bear Market "E" — Oct 1989 - July 1993

Down 30% in 16 months.  
New highs after **3.7 years!**



NB: Market nearly recovers at G (25 months), then pauses (6 months), then falls away.

Note: Correction G-H-G1 inside Bear Market E (details next slide)

## Correction "G" — Nov 1991 - May 1993

Down "only" 19% over 12 months.  
New highs after **1.5 years!**



NB: Market goes nowhere for 7 months, then falls away.

Beware!  
The bears

## Bear Markets & Corrections

### Bear Market "I" — Jan 1994 - Dec 1996

Down 21% over 12 months.  
New highs after 2.9 years!



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## Bear Markets & Corrections

### Correction "K" — Sept 1997 - Dec 1998



Down "only" 11% in just one month.  
New *sustained* highs after 1.3 years.

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## Correction "O" — June 2001 - May 2004

Down 21% over 20 months.  
New highs after **2.9 years!**



NB: Market crashes from O in 12 weeks, then recovers to Q, and falls further.

## BEAR MARKET "S2" — Oct 2007 to now?

Down 54% over 17 months!!  
New highs after ??? years?  
(to be advised)



## What shape is most common?

In these bear markets and corrections, is there any one shape that is most common?

- V, W, M, J ?
- Patterns and repeats of behaviour?

Go back and review the previous slides.

Are any of them a simple “V” shape?

Start with Bear Market “E” for clarity.

[Click here to go back to the "Recent Bear Markets" slide...](#)



## Re-cap — From “A” to “J” (~10 years)



## Re-cap from "I" to "R" (~10 years)



## BEAR MARKETS — These charts

The charts on the previous slides are already posted on the web.

Visit:

[www.robertbrain.com/bearmarkets](http://www.robertbrain.com/bearmarkets)



## Recent Bear Markets

A quick look at recent bear markets (>20%) and market corrections (>10%; <20%).

*If we can better understand the past, we can better understand the future.*



## Recent Bull Markets

A quick look at recent bull markets.



*If we can better understand the past, we can better understand the future.*



### Definition — Bull Market

#### ***A Bull Market is:***

- ? (what is the definition?)

#### ***A Bull Market is finished when:***

- ? (how do we know when it is over?)



### Definition — Bull Market

#### ***A Bull Market is characterised by:***

- Rising investor sentiment.
- Rising share market.
- There is no accepted definition for percentage increase to describe a bull market!!

#### ***A Bull Market is over when:***

- A Correction is confirmed (ie. a fall of 10%).



**Eight Bull Markets — 1988 to 2009**

| Bull Markets — 1988 to 2009 |            |              |         |          |     |                |
|-----------------------------|------------|--------------|---------|----------|-----|----------------|
| Start Date                  | From Point | Bull Market? | Amt (%) | Duration |     | Ave Amt pa (%) |
|                             |            |              |         | Wks      | Yrs |                |
| Feb 1988                    | B          | Bull Market  | 37      | 25       | 0.5 | 77.0           |
| Apr 1989                    | D          | Bull Market  | 25      | 26       | 0.5 | 50.0           |
| Dec 1990                    | F          | Bull Market  | 37      | 43       | 0.8 | 44.7           |
| Nov 1992                    | H          | Bull Market  | 70      | 64       | 1.2 | 56.9           |
| Jan 1995                    | J          | Bull Market  | 50      | 137      | 2.6 | 19.0           |
| Aug 1998                    | L2         | Bull Market  | 39      | 146      | 2.8 | 13.9           |
| Feb 2003                    | R          | Bull Market  | 138     | 228      | 4.4 | 31.5           |
| Mar 2009                    | T          | Bull Market  | 56      | 33       | 0.6 | 88.2           |

Note: The letters in the “From Point” column refer to points on the charts.



**1988 to 1994**

Some variety, and a range of opportunities



Beware!  
The bears

# Bull Markets

18 years — 1991 to 2009

One very significant rise  
(plus others)  
over an 18-year period.



Q: Does "Bull Market R"  
look too tall?

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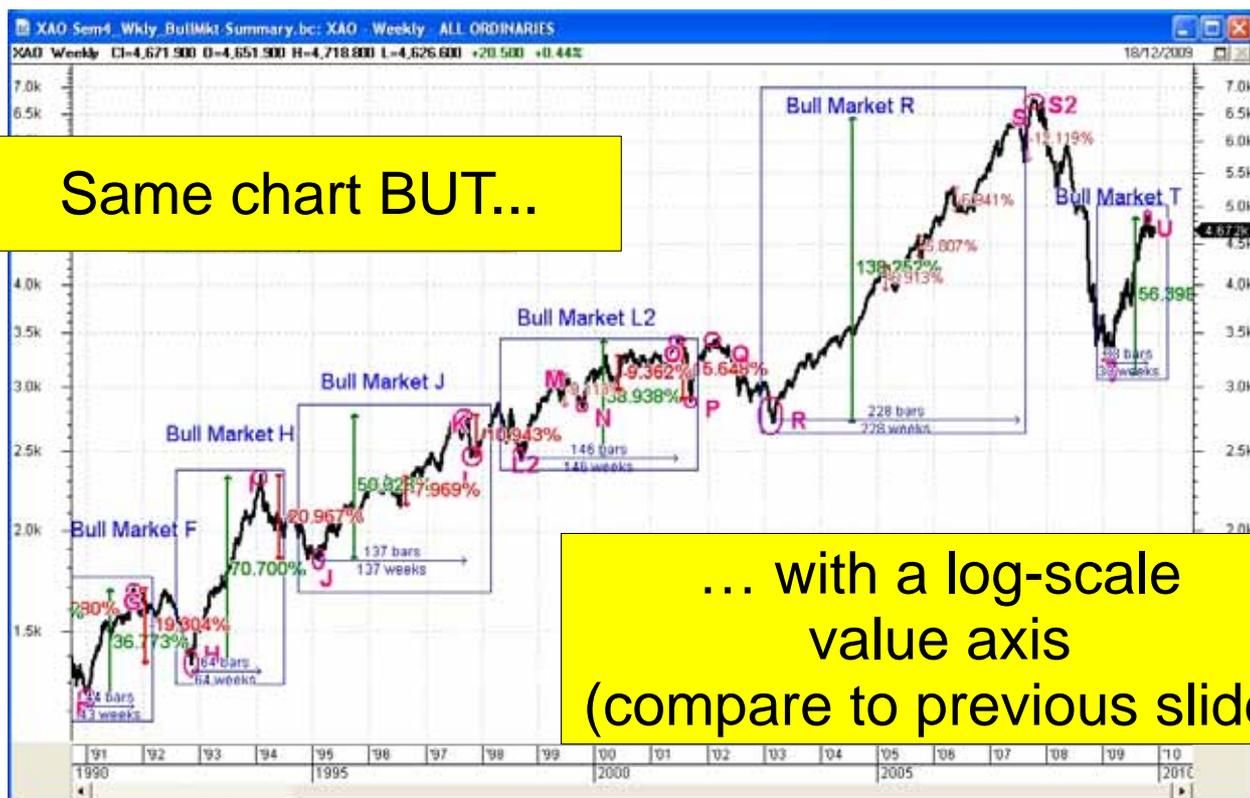
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The bears

# Bull Markets

1991 to 2009 (semi-log chart)

Same chart BUT...



... with a log-scale  
value axis  
(compare to previous slide)

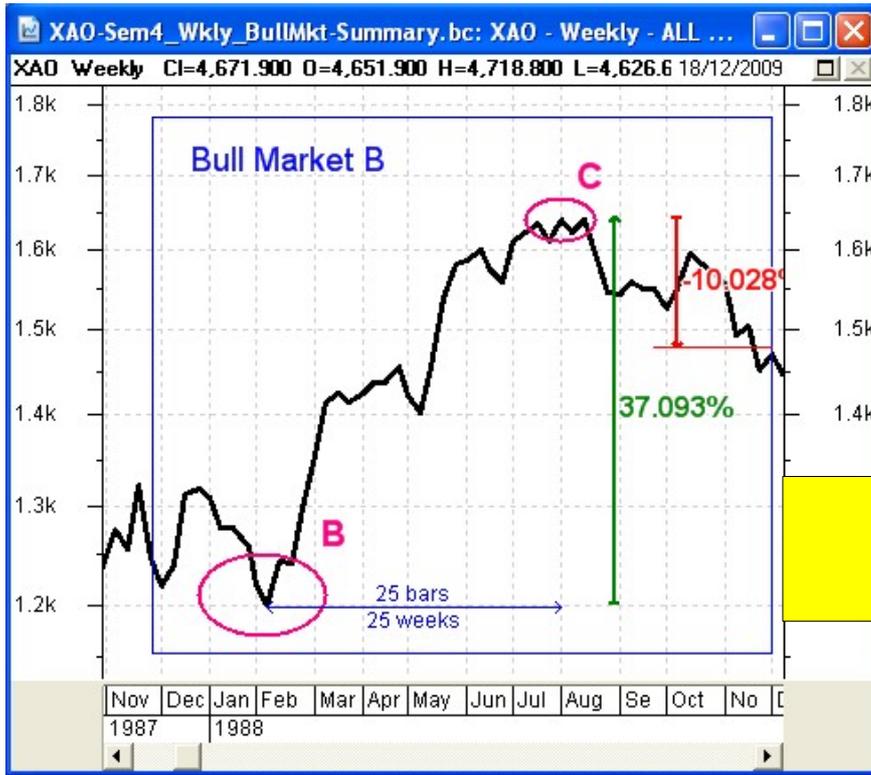
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## Bull Markets

### Bull Market "B" — Feb - Aug 1988



Up 37%  
in 6 months.

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## Bull Markets

### Bull Market "D" — Apr - Oct 1989



Up 25%  
in 6 months.

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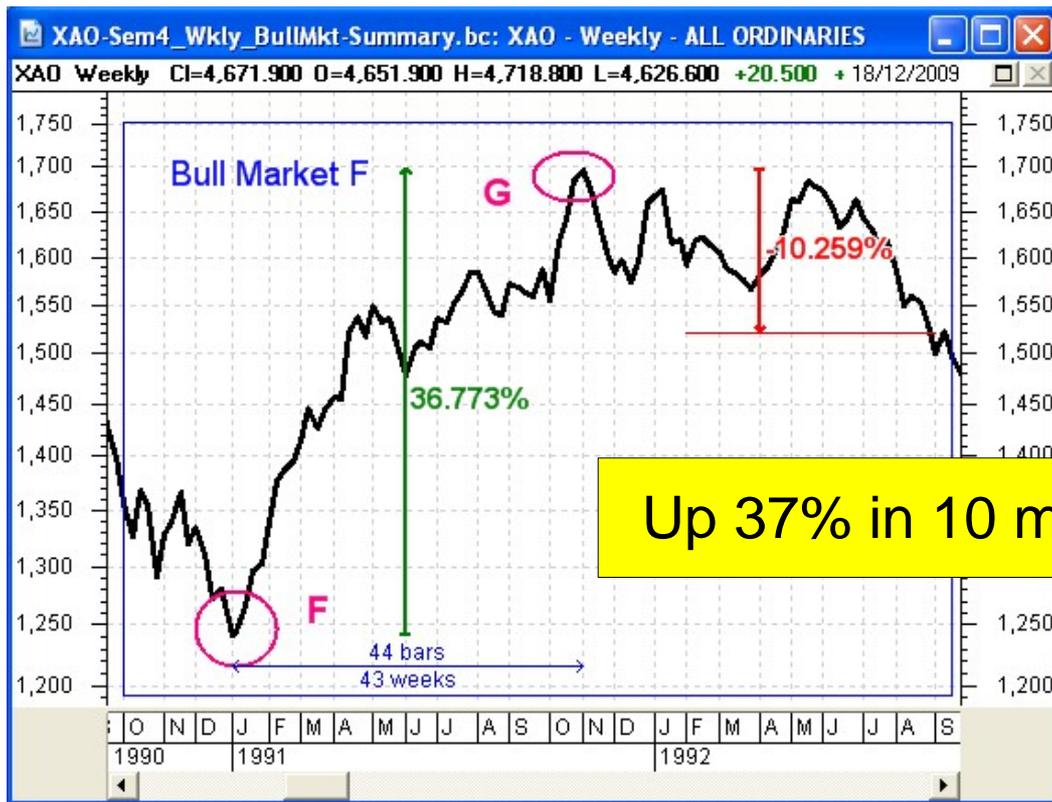


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## Bull Markets

### Bull Market "F" — Dec 1990 - Nov 1991



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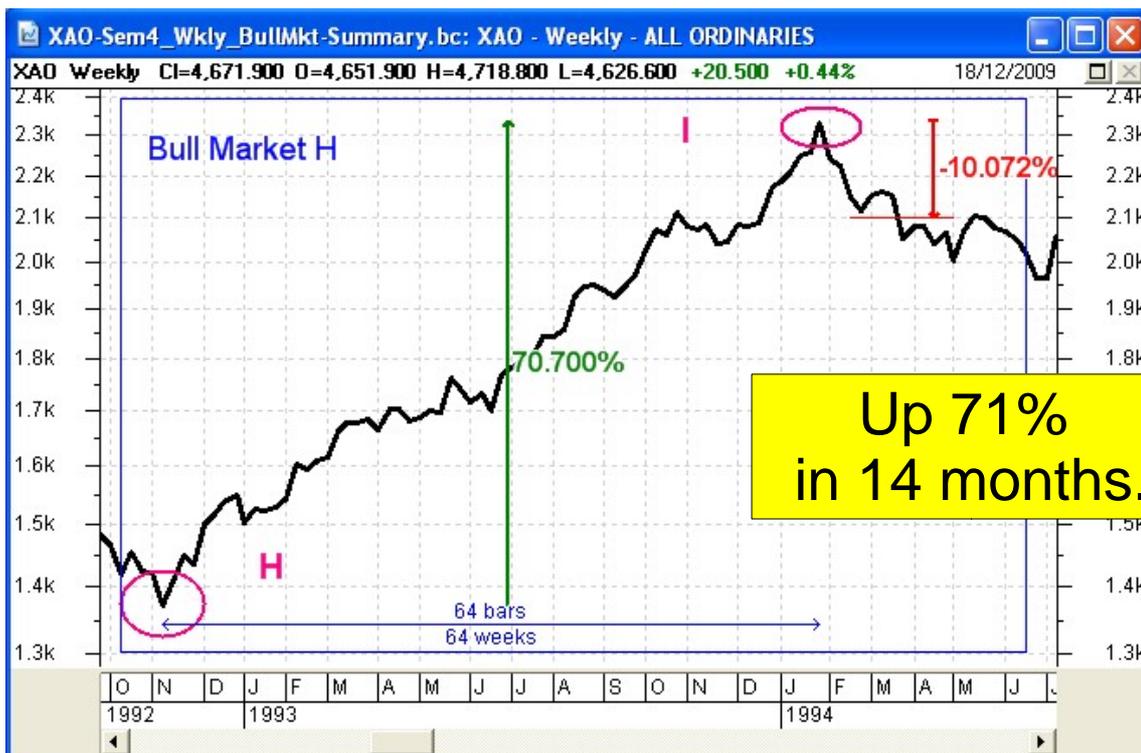


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## Bull Markets

### Bull Market "H" — Nov 1992 - Jan 1994



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## Bull Markets

### Bull Market "J" — Jan 1995 - Sep 1997



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## Bull Markets

### Bull Market "L2" — Aug 1998 - June 2001



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## Bull Markets

### Bull Market "R" — Feb 2003 - July 2007



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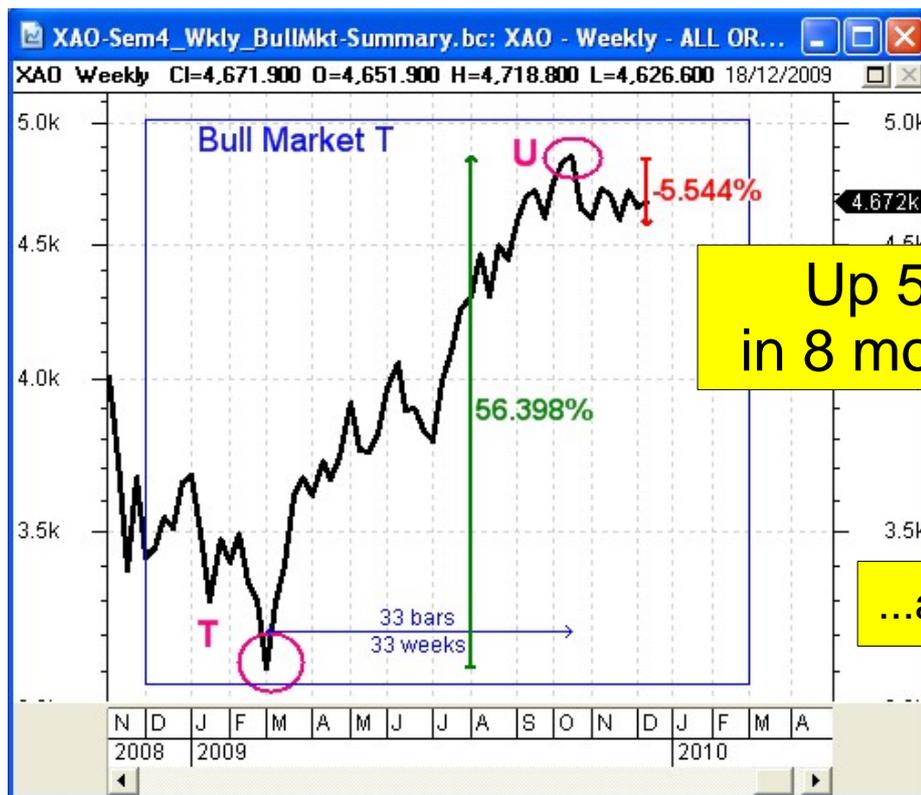


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Beware!  
The bears

## Bull Markets

### Bull Market "T" — Mar 2009 - now



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### BULL MARKETS — These charts

The charts on the previous slides will soon be posted on the web.

Visit:

[www.robertbrain.com/bullmarkets](http://www.robertbrain.com/bullmarkets)



### Recent Bull Markets

A quick look at recent bull markets.



*If we can better understand the past,  
we can better understand the future.*



## Conclusions?

What conclusions can we draw about bull and bear markets?



## Bull Markets — duration and range

| Bull Markets — 1988 to 2009 |            |         |          |     |                |
|-----------------------------|------------|---------|----------|-----|----------------|
| Start Date                  | From Point | Amt (%) | Duration |     | Ave Amt pa (%) |
|                             |            |         | Wks      | Yrs |                |
| Aug 1998                    | L2         | 39      | 146      | 2.8 | 13.9           |
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| Feb 1988                    | B          | 37      | 25       | 0.5 | 77.0           |
| Mar 2009                    | T          | 56      | 33       | 0.6 | 88.2           |

• From 13% to 88% (pa\*)

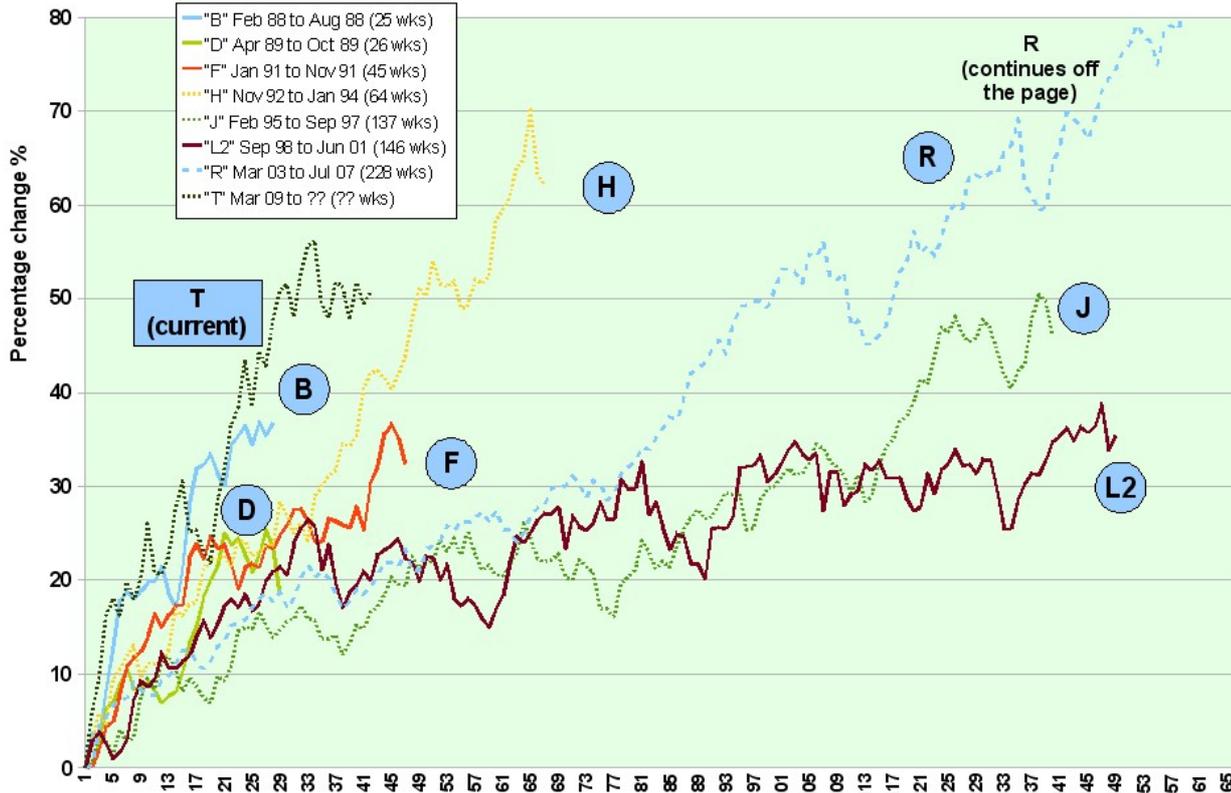
• Longest — 4.4 years

• Shortest — 6 months

\* - percentages — annualised



**Bull Markets — Compared**



**Bear Markets - range and duration**

- From 11% to 48%

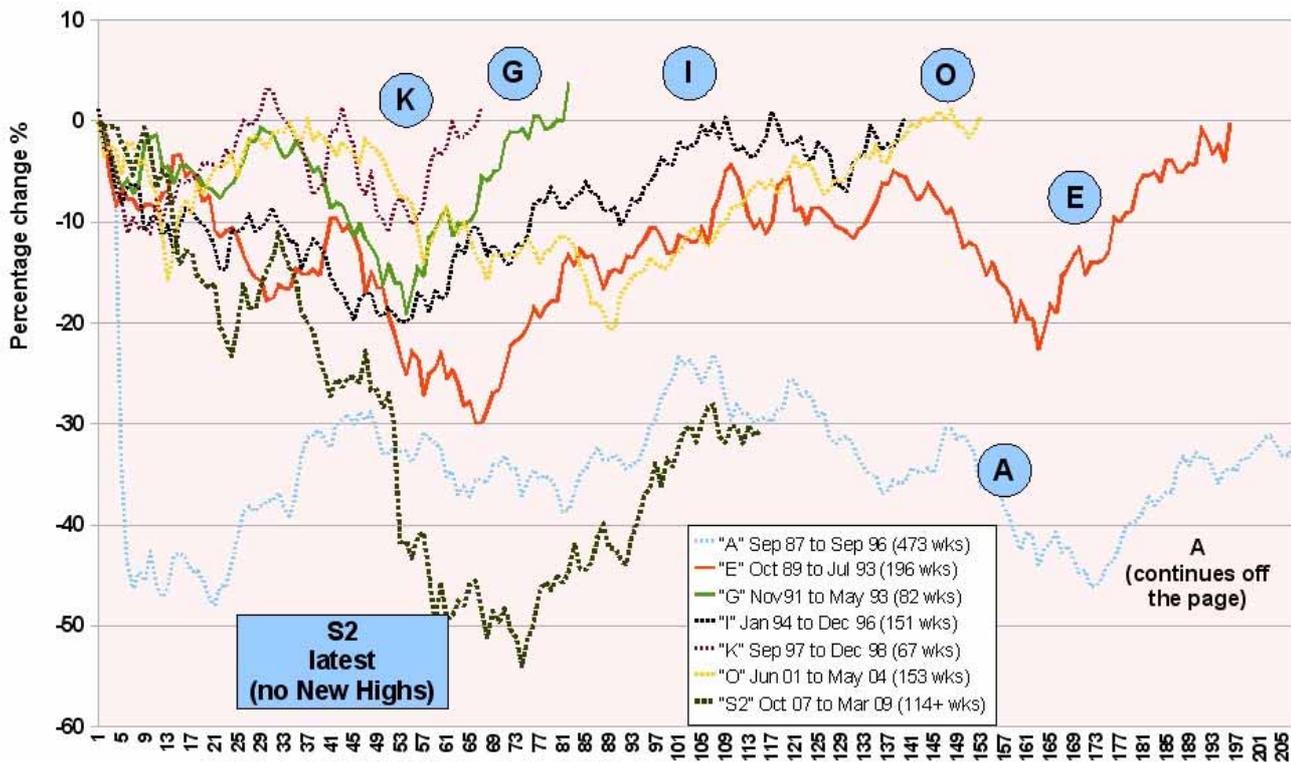
| Bear Markets and Corrections<br>1987 to 2009 |            |         |                 |                              |       |  |
|--|------------|---------|-----------------|------------------------------|-------|--|
| Start Date                                   | From Point | Amt (%) | Weeks to bottom | Time to recover to past high |       |  |
|  |            |         |                 | Weeks                        | Years |  |
| Sept 1997                                    | K          | -11     | 5 or 50         | 66                           | 1.3   |  |
| June 2001                                    | O          | -21     | 88              | 152                          | 2.9   |  |
| Oct 2007 *                                   | S2         | -54     | 73              | 113                          | 2.2   |  |
| Oct 1989                                     | E          | -30     | 65              | 194                          | 3.7   |  |
| Jan 1994                                     | I          | -21     | 53              | 150                          | 2.9   |  |
| Nov 1991                                     | G          | -19     | 53              | 80                           | 1.5   |  |
| Sept 1987                                    | A          | -48     | 21              | 470                          | 9.0   |  |

\* — Latest bear market has not yet finished

- Shortest — more than 1 year
- Longest — 9 years



## Bear Markets — Compared



## Observations

Bull and Bear markets:

- Cyclic
- Market can go no where over many months
- Market can move a long way  
(eg. -30% per week — Oct 1987)
- “V” shaped bottoms — mostly
- “W” shaped patterns — often

How can we spot them?  
and trade them to advantage?

### Conclusions

- The significant down moves in the market:
  - can take place over short periods (a few weeks); or
  - can continue for many months.
- Our challenge is to identify the turning points and react quickly.
- We won't be able to spot the exact top/bottom!
- But can we get close?
- Is it feasible? Can it be done?

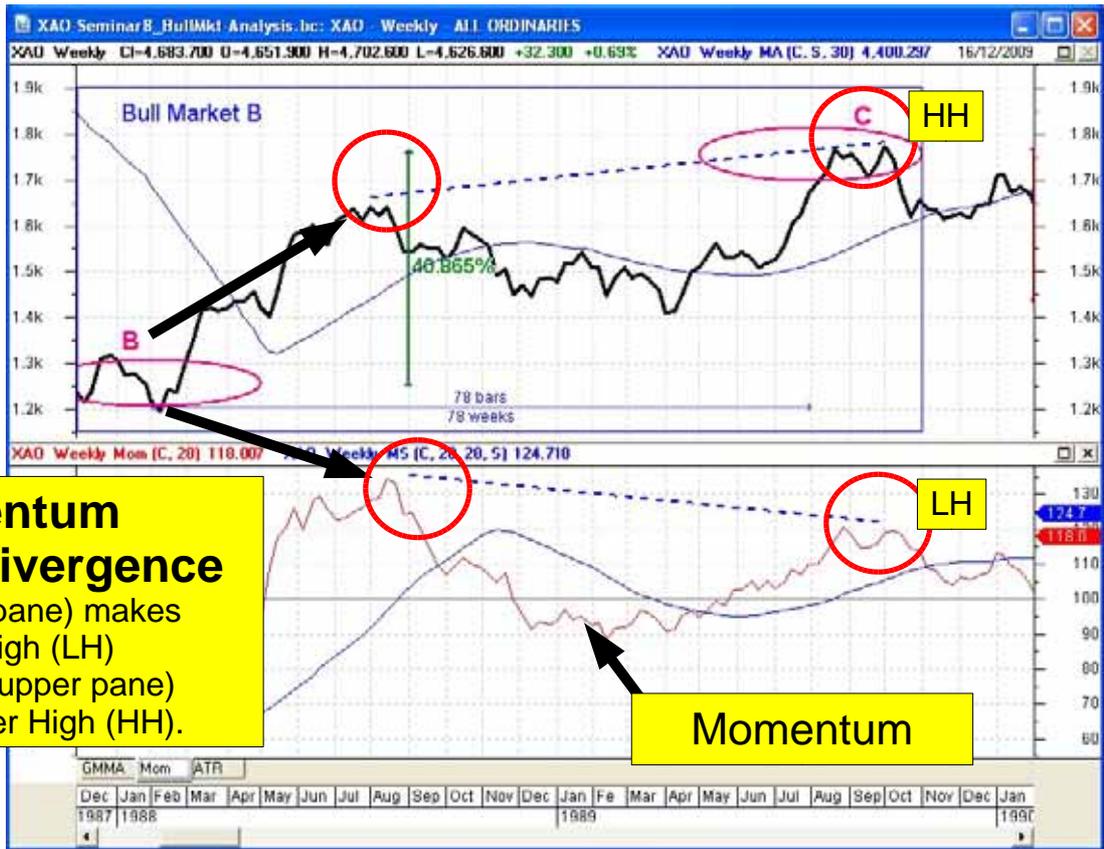


### Momentum indicator?

- Can divergence on the Momentum indicator help at all?
- Use a Weekly chart (or a Daily?)
- Let's see... next slides



# End of Bull Market "B"



# End of Bull Market "D"



## End of Bull Market "E"



### Momentum divergence

While the index makes a Higher High (HH), Mom is about the same — ie. no lower and no higher.

## Other technical indicators

- Consider a combination of “tools”
- Maybe the RSI indicator?
- The “Awesome” oscillator  
(refer “*Trading Chaos*”, Bill Williams & Justine Gregory-Williams)
- Twiggs Money Flow (or Chaikin)

## Conclusion

- Sometimes we can easily spot a pending bull or bear market.
- Sometimes it is not easy.
- A good leading indicator is difficult to find.



## SUMMARY

- Bear markets come around fairly often
- Their duration and impact can be extensive
- Look for patterns and repeat behaviour
- Work on spotting the bull and bear markets
- We are now wiser about investing (or trading) going forward.



## Final Word

- As a part of his regular trading strategy, Robert analyses the market on a weekly basis.
- And he posts the results on the internet.
- An overview of the approach is here:  
[www.robertbrain.com/weekly](http://www.robertbrain.com/weekly)
- More details are available each week to Toolbox Members here:  
[www.robertbrain.com/members-area/](http://www.robertbrain.com/members-area/)



## Any Questions?

ps: A copy of the slides and more details are available.

[www.robertbrain.com/presentations/](http://www.robertbrain.com/presentations/)

Or, simply send an email request to:  
[robert@robertbrain.com](mailto:robert@robertbrain.com)



***(Beware the bears! — they are never far away)***

The End

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***(Beware the bears! — they are never far away)***

THE END  
THANK YOU

(backup slides follow)

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