When The Rooster Crows

In our past articles and presentations, we said that investors must be well-versed in many disciplines in order to navigate the stock market properly. One should be knowledgeable in the fields of math, quantitative analysis, finance and accounting to help augment fundamental analysis. It is likewise important to have a good working knowledge of economics and an understanding of technical analysis.

But last year, a wave of anti-establishment sentiment resulted in unexpected political events such as the Brexit and the election wins of Rodrigo Duterte and Donald Trump. These consequently triggered volatile moves in global financial assets. Given these, it is now incumbent upon investors to also understand politics, sociology and psychology.

And since investing is not an exact science, some people have also utilized non-traditional disciplines such as astrology, numerology and geomancy to learn more about the stock market.

Goodbye Tricky Monkey

Last Saturday (January 28, 2017), we celebrated the Chinese New Year. We said our goodbyes to the Monkey and welcomed the Year of the Rooster, which will last until February 15, 2018. In our article last Chinese New Year (Monkey Business, February 8, 2016), we said that the Year of the Monkey would be a tricky one for the stock market. In that article, we described the Monkey as unruly, playful and mischievous. They jump around too much and never really stay in place for long. Looking back at the topsy-turvy moves of stocks last year, one can see that our description of the Monkey was quite accurate and the market was indeed under the Monkey’s spell.

Though the PSEi delivered returns of -1.6% for 2016 and 8.4% for the Year of the Monkey, these mask the extreme volatility that we witnessed last year. The PSEi started 2016 with big drops on concerns about the Chinese economy and stock market. As these concerns receded, the PSEi staged a post-election rally en route to an all-time closing high of 8,102 on July 21. However, the index lost steam as it dropped 20% to an intraday low of 6,499 on December 23. Last Friday, the PSEi closed at 7,334.

Hello Fire Rooster

Considering the volatility that we experienced in the Year of the Monkey, many investors may feel relieved as they say goodbye to the Tricky Monkey and welcome the coming of the Fire Rooster. People who were born in Rooster years are said to be active, amusing and popular with crowds. They are talkative, outspoken, open, honest and loyal. Thus, Roosters enjoy being the center of attention in social events. Since Roosters are the first to wake up in the morning, they are viewed as diligent and hardworking people. Examples of popular celebrities born in Rooster years are Eric Clapton, Beyonce Knowles, Justin Timberlake and Jennifer Lopez. Also, tennis stars Roger Federer and Serena Williams were born under the Rooster zodiac. Our very own Philequity director, Mr. Washington Sycip was born on 1921 and Philippine President Rodrigo Duterte was born on 1945, making both of them Roosters.
Fireworks in the Year of the Fire Rooster

Feng shui experts warn that conflicts, controversy, debate, arguments and aggression may become more common in the Year of the Fire Rooster. The Rooster is associated with metal, even as fire and metal have a conflicting relationship. This disharmony may result in conflicts and clashes. Fire also symbolizes bullets and guns, which somehow forewarns of possible violent conflicts. Thus, conflict resolution will be important this year.

On the positive side, the fire element is seen as the driving force behind the stock market. And since fire is associated with joy, it may bring renewed enthusiasm and optimism in the market.

**Stock market returns during Rooster years**

Below, we show the returns of the S&P 500 and the PSEi in Rooster years.

<table>
<thead>
<tr>
<th>Year</th>
<th>S&amp;P 500</th>
<th>PSEi</th>
</tr>
</thead>
<tbody>
<tr>
<td>1933</td>
<td>59.1%</td>
<td>n/a</td>
</tr>
<tr>
<td>1945</td>
<td>33.6%</td>
<td>n/a</td>
</tr>
<tr>
<td>1957</td>
<td>-8.1%</td>
<td>n/a</td>
</tr>
<tr>
<td>1969</td>
<td>-16.1%</td>
<td>n/a</td>
</tr>
<tr>
<td>1981</td>
<td>-11.0%</td>
<td>n/a</td>
</tr>
<tr>
<td>1993</td>
<td>8.4%</td>
<td>121.0%</td>
</tr>
<tr>
<td>2005</td>
<td>7.7%</td>
<td>4.6%</td>
</tr>
</tbody>
</table>

*Sources: Bloomberg, Wealth Research*

The S&P 500 has a 57% positive batting rate during Rooster years. During these years, the S&P 500 delivered widely dispersed returns, ranging from a low of -16.1% to a high of 59.1%. Given the available data, the PSEi has only had two Rooster years so far and it delivered positive returns in both years.

**No more monkeys jumping on the bed**

The Year of the Monkey brought extreme volatility in financial assets and widely unexpected outcomes in the global political landscape. The unruly behavior of the Monkey and the volatile performance of the market last year remind us of the popular nursery rhyme, “Five Little Monkeys.” We quote the first stanza of the nursery rhyme below as we end the Year of the Monkey and hope for a less volatile stock market in the Year of the Rooster.

*Five little monkeys jumping on the bed*
*One fell off and bumped his head*
*Mama called the doctor, and the doctor said*
*No more monkeys jumping on the bed*

**Investor briefing on February 4**

As we usher in the Chinese New Year, it may also be a good time for us to share our market outlook for the Year of the Rooster. We will have our investor briefing this Saturday, February 4, 2017, 9 am, at the Meralco Theater. We will also have Cong. Joey Salceda as our guest speaker. I have worked with Cong. Joey in the past and I can attest that he is extremely knowledgeable in the fields of government and investments. He was voted many times as best research analyst when he was working in the stock
brokerage industry. He will discuss how the Duterte administration’s proposed fiscal reforms will affect the economy and the stock market. Philequity investors and Wealth clients who wish to attend the briefing may register at events@philequity.net.

*Philequity Management is the fund manager of the leading mutual funds in the Philippines. Visit [www.philequity.net](http://www.philequity.net) to learn more about Philequity’s managed funds or to view previous articles. For inquiries or to send feedback, please call (02) 689-8080 or email ask@philequity.net.*