



Philequity Corner (March 11, 2019)
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Happy 10th Birthday, bull market

Last Wednesday, the current bull market marked its 10th birthday. While the recent volatility and sharp drawdowns may have caused many to question whether we are still in a bull market, data indicates that we are still in the midst of the longest bull market in Philippine and US history.

Generational low

March 6, 2009 is a very important date for those who follow the stock market as this marks the start of the bull market we are experiencing now. We have written many articles explaining the significance of this date, such as *666* (23 March 2009) and *666 on 3-6-9* (13 April 2009). This date marks the generational low for stock markets and has become an opportunity of a lifetime for those who were able to buy around this time (see *Opportunity of A Generation*, 3 November 2008).

10-year return of different equity indices

| Stocks | | Stocks | |
|-----------------|--------|---------------------|---------------|
| US | % gain | Asia Pacific | % gain |
| Nasdaq | 491.7% | Indonesia | 405.0% |
| Russell 2000 | 347.9% | India | 355.2% |
| S&P500 | 315.6% | Philippines | 310.6% |
| Dow Jones | 296.8% | Thailand | 293.0% |
| Europe | % gain | Japan | 201.3% |
| Russia | 274.4% | Hong Kong | 143.6% |
| Germany | 218.5% | Taiwan | 125.3% |
| France | 109.8% | Singapore | 115.5% |
| UK (FTSE) | 106.1% | South Korea | 109.9% |
| Europe Stoxx 50 | 83.9% | Australia | 99.9% |
| Italy | 62.3% | Malaysia | 96.8% |
| Spain | 35.1% | China (SHCOMP) | 42.8% |

Source: Wealth Securities research

Bull market continues despite trade war, contagion fears, and a superstorm

As can be seen in the table above, an investor exposed to the PSEi since the start of this bull market on March 6, 2009 would have gained 310.6% in 10 years. Note that this enormous return survived numerous crises such as a surge in oil prices, the European sovereign debt crisis, Greece's default, QE tapering, Yolanda, above forecast domestic inflation and the US-China trade war. In fact, the Philippine stock market is one of the top performing stock markets in terms of 10-year return. Buying around March 6, 2009 was truly an Opportunity of a Lifetime, hence the title of our book.

Surviving the 2018 bear scare

The returns in the table above already include the sharp correction last year. The PSEi actually slipped into bear market territory on 2 occasions in 2018. Entering bear market territory is defined as a fall of more than 20% from the peak. Fortunately, the market bounced back quickly and was not classified as a true bear market. An index or security is considered to be in a bear market if it experiences a decline of at least 20% from the peak for more than 2 months.

Stocks vs. bonds vs. gold

Other than stocks, there are other assets one can invest in, such as currencies, bonds, commodities, real estate or businesses. While bonds generally have lower risk and volatility than equities, the returns also tend to be less attractive. If one bought a 10-year bond issued by the Philippine government on March 6, 2009 and held it till maturity, an investor would have made a 78.8% return from the coupon, gross of taxes. Doing the same for a US 10-year Treasury would have yield a 28.8% return in dollar terms, gross of taxes. On the other hand, holding gold for 10 years would have given an investor a 40.9% return in dollar terms, but with much higher volatility than bonds.

Asset allocation explains most of one's return

We are not saying that investors should just buy stocks and not own bonds or other assets. Instead, we recommend that each person examines his risk aversion and time horizon in order to determine his personal asset allocation. Studies have shown that more than 90% of one's return can be explained by his asset allocation.

Time in the market is more important than timing the market

One lesson we can learn from this 10-year bull market is that the key to making money in the stock market is time in the market, not timing the market. Even if one is able to somehow catch the bottom, selling too early will result in much lower returns. To help one stomach the ups and downs in the market, an investor can apply peso cost averaging. Combined with the proper asset allocation, one will not only be able to participate in bull markets, but also maximize his return even through crises.

Quadrupling your money with Philequity

While simply investing in the PSEi would have given you a 310% return over 10 years, history shows that putting your money in our flagship Philequity Fund had been more profitable. A Philequity investor who invested on March 6, 2009 at a NAV/share of 8.1692 and stayed the course until now would have more than quadrupled his money. As of March 6 last week, a PhP 100,000 investment is worth PhP 468,783 – a gain certainly worth celebrating.

Happy 10th Birthday, bull market!

Philequity Management is the fund manager of the leading mutual funds in the Philippines. Visit 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.