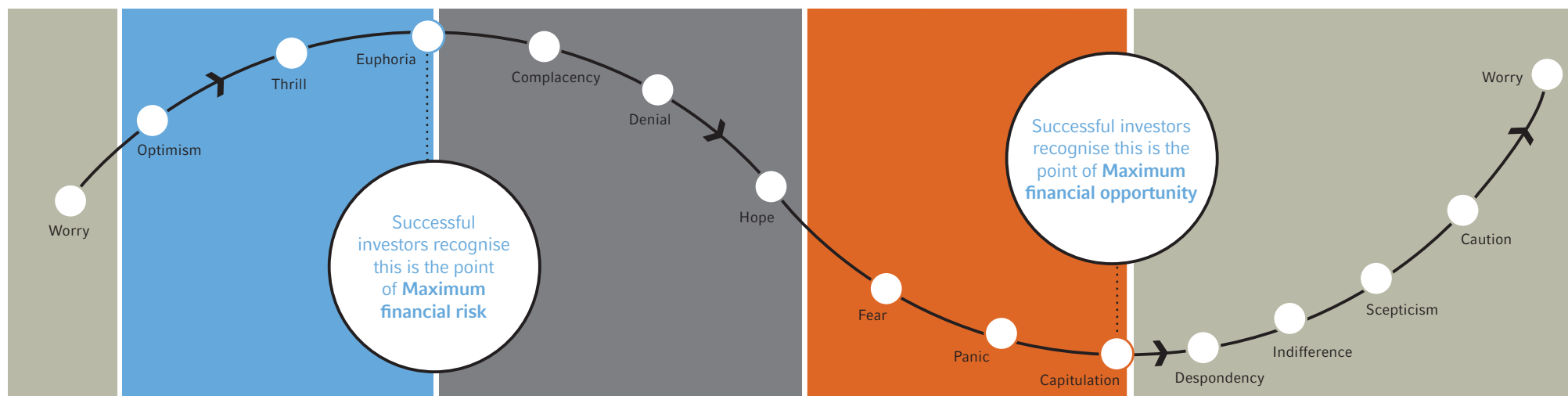


The Cycle of Market Emotions

2020 edition



	OPTIMISM	THRILL	EUPHORIA	COMPLACENCY	DENIAL	HOPE	PANIC	CAPITULATION	DESPODENCY	SCEPTICISM	CAUTION	WORRY
Market Cycle 1	25% Nov 1971 – Dec 1972 • Inflationary pressures. • Productivity improvements. • Rapid corporate earnings growth. • Introduction of paperless technology.			-19% Jan 1973 – Jan 1973 • OPEC Oil crisis – crude oil prices tripled. • Inflation. • Credit squeeze. • Property company failures.			-24% Mar 1974 – Nov 1974 • Global recession. • Extended bear market.			36% Dec 1974 – Jun 1975 • Share market recovery despite recession.		
Market Cycle 2	119% Aug 1984 – Aug 1987 • Credit boom. • Strong world economic growth.			-2% Sep 1987 • Irrational shareholder sentiment. • Peak of overinflated stock values vs historical PEs.			-28% Oct 1987 – Nov 1987 • 1987 Global stock market crash.			53% Dec 1987 – Dec 1989 • Share market recovery as value hunters sought to buy quality stocks cheaply.		
Market Cycle 3	90% April 1997 – Sep 2000 • Tech boom. Investor exuberance. • Emergence of 'new economy' sectors.			-28% Oct 2000 – Sep 2001 • Tech bubble burst • September 11 terrorist attack.			-22% Mar 2002 – Feb 2003 • Reduced global economic growth forecasts. • Extended bear market. • Corporate accounting scandals.			42% Mar 2003 – May 2005 • Geopolitical uncertainty. • Refocus on world economic fundamentals. • Boom in resources in response to industrialisation of China.		
Market Cycle 4	22% Jun 2005 – Jul 2007 • US home prices hit highs. • Credit boom. • Higher interest rates.			-20% Aug 2007 – Sep 2008 • Credit crunch. Sub-prime mortgage crisis. CDO failures. • Lehman Brothers declares bankruptcy.			-37% Oct 2008 – Feb 2009 • Global financial crisis • European and U.S. recessions. Negative real GDP reported for major developed countries in Q4 2008.			174% Mar 2009 – Oct 2014 • Global stock market recovery. • Deleveraging, slow economic growth.		
Market Cycle 5	60% Nov 2014 – Dec 2019* • Unemployment rates falling. • Economy normalises. • Profit margins elevated.											

* Latest month-end data available at the time of publishing as at 31 December 2019.

Market cycle returns calculated using S&P500 Price Index (in USD). Indexes are unmanaged, cannot be invested in directly, and do not take into account any fees and costs associated with an actual investment.

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