

From the Desk of CIO

P PhillipMutual
It's a Matter of Trust

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Surviving Stock Market Warfare

The war between Russia and Ukraine does not seem to end at any time soon. There is no winner in such war. Back home, we are facing stock market warfare every day. Investors in the market are fighting the bull and bear at every level. Investors will wish the bull to win so that share prices can go higher but bear may also emerge at any time from the bushes. Due to high global inflation, US is forced to raise interest rates in order to fight off the inflation even at the risk of a recession. As such, all these factors enable the bear to dominate the market. Surrounded by bears, the bull backs down and retreat to side line, waiting for the opportunity to make a comeback. The war between the bull and bear in the stock market continues as they digest various economic information, corporate news and political development. One thing for sure, after a bear, there comes a bull.

Exhibit 1: A fight between the bull and the bear

In the 12th Phillip Investment Conference, I shared my view on *Stock Market Warfare, Challenges of Fund Managers*.

My presentation covered the comparison between physical and stock market warfare, who are the players in the stock market and how they normally behave.

At all times, both the bull and bear are generally invisible as they may not show their moves. The bull could charge in aggression or the bear may be clawing beneath the bours from time to time. This makes investment/trading planning difficult and challenging.

There are also people who analyse stock market warfare using Sun Tze art of war. The famous quote of Sun Tze is to know yourself and know the enemies. Every investor must understand their own preference, capital limitation, risk and loss behaviour as well as their investment strategy. A good understanding on the movement of market participants and how they behave will enable a better risk management.

We can also use technical indicators to determine the forces behind the bull and bear, which will also help us to be less emotional. Technical analysts who tend to watch the market like spectators will observe the fight between the bull and bear. However, we are only keen to know who is leading in the tug-a-war and bet on the winner.

However, most investors/traders are biased. If they have invested, they will wish the bull to win. On the other hand, if they have not invested in the market, they would normally become fearful that the market has not corrected sufficiently.

This phenomenon is now mainly influenced by the widespread use of social media platforms, which tend to circulate more negative news instead of disseminating positive news. The prevalent negative news develops more bear movements unfortunately. As such, we must understand the landscape of warfare to be a winner.



Source: *PCM Aug 22*

Exhibit 2: Tug-a-war between bull and bear



Source: *PCM Aug 22*

Exhibit 3: Bear overshadows the bull



Source: *PCM Aug 22*

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