

36 South Views

BY RICHARD "JERRY" HAWORTH



Taxonomy of a bull market

I have often thought that a bull market goes through various stages that can be represented by a river.

It starts its life as a spring (2009), then trickles down the mountains, slowly becoming a babbling brook. It grows in size, joins other rivers (investment flows), and begins to become obvious to everyone that it is a river with only one direction. People start riding this river, using it to get to where they want to go (ETFs).

Then the river starts to narrow (FANGS), the banks steepen and the river starts moving quickly. Those riding the river are excited as they will get where they want to be sooner, and if they are not already riding it they will jump in after being fed up with seeing how much fun the Jones's are having – they can't bear to miss out any longer.

At this point, the river gets crowded, the smooth, fast-flowing river carrying multitudes towards their dreams.

Next the banks start to narrow further and the river turns into a raging rapid. Nice if you can hold on (Facebook). People realise that rapids are nothing to be feared as they don't last long and revert very quickly back to that long, fast-moving, stable river they have come to know and love.

Then the mother of all rapids comes – this one terminates in a waterfall. People hang on for dear life but most drown or are smashed against the rocks. Those who do survive swear they will never ride the river again.

Well then... Why don't you just get out of the river before the waterfall and portage around that part?

Unfortunately we can't determine in advance whether a rapid is small or something more sinister. (Anyone for Turkey?)

However, savvy investors who have been riding the river for a long time know that when the river is crowded with boats, when it has been smooth sailing for a long time, when the banks become steep and the river starts to flow very quickly, when complacency is at its height; this is a time for caution.

Lifeguard salesmen, those who are left in business, hawk their wares on the side of the river. They are scoffed at. "We don't need protection from the river, it is our friend – and why should I buy something I will never need?!"

Upon such a river are we now afloat ...

DISCLAIMER

Unless otherwise stated, all commentary and views expressed in this document are solely the opinions of 36 South Capital Advisors LLP.

An investment with 36 South Capital Advisors LLP is for professional investors and qualifying investors only. Prospective investors will be required to certify they are qualifying investors upon application and must certify their awareness of the risks involved in the investment, in particular, the risk of losing the sums invested. Offering documentation and fund literature is only available upon request. As part of the subscription process the fund administrators check the eligibility of investors.

An investment with 36 South Capital Advisors LLP will involve a significant degree of risk of loss, which each prospective investor must carefully consider.

36 South Capital Advisors LLP is authorised and regulated by the Financial Conduct Authority (FRN: 477881).