Trends in the STOCK MARKET

Dupaco

- IT'S A -
MONEY THING®

WHAT'S WITH THE BULL AND THE BEAR?

The bull and the bear are the unofficial mascots of stock markets around the world and are used to describe **MARKET TRENDS**

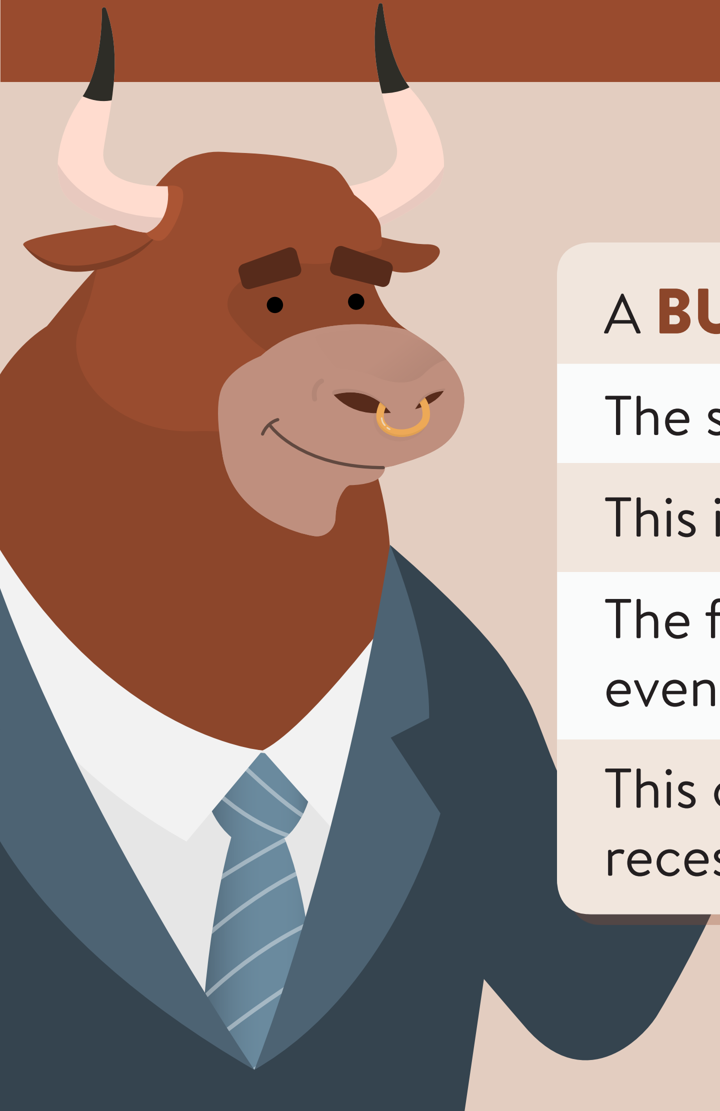
Market trends are the the upward **(BULL)** and downward **(BEAR)** patterns of the stock market over a period of time

Trends can be **SHORT** term, **INTERMEDIATE** term or **LONG** term, and can apply to the market as a whole or to a single stock or commodity

BULL MARKET


Everything is great!
Stock prices are rising
People are finding jobs
You've got to get in on this!
The economy is booming!
Buy more stocks

BULL MARKET



A **BULL MARKET** is a period of generally rising prices

The start of a bull market is marked by widespread pessimism

This is the point when the crowd is the most bearish

The feeling of despondency changes to hope, optimism and eventually euphoria, as the bull runs its course

This often leads the economic cycle, for example in a full recession, or before a recession starts

BULL MARKET

The bullish investor
buys up lots of stock and is
optimistic about the future

TYPICAL BULL MARKET

8.5 YEARS » 458% RETURN

A typical bull market lasts 8.5 years, with average annual gains of 14.9% to 34.1%. This adds up to average total returns of 458% per bull market period!*

*Findings from an analysis of stock market data from 1926 to 2014 by Morningstar


BEAR MARKET
It's the end
Everything is in decline!
A recession is looming
This could be it!
The market value just keeps falling!
A market crash is near!

BEAR MARKET

A **BEAR MARKET** is a general decline in the stock market over a period of time

It is a transition from high investor optimism to widespread investor fear and pessimism

According to The Vanguard Group, “While there’s no agreed-upon definition of a bear market, one generally accepted measure is a price decline of 20% or more over at least a two-month period”

BEAR MARKET

The bearish investor sells lots of stock and tends to be pessimistic about the future

TYPICAL BEAR MARKET

1.3 YEARS » **-41% LOSS**

A typical bear market lasts 1.3 years, with average annual declines ranging from -19.7% to -47%. This equals an average decline of -41% per bear market period!*

*Findings from an analysis of stock market data from 1926 to 2014 by Morningstar

PLAYING THE MARKET

PLAYING THE MARKET

Both bull markets and bear markets represent opportunities to make money; the key to success is to use strategies and ideas that can generate profits under a variety of conditions

This requires consistency, discipline, focus and the ability to take advantage of both pessimism and optimism

PROFITING IN **BULL MARKETS**

Long Positions

A long position is buying a stock or any other security in anticipation that its price will rise

The overall objective is to buy the stock at a low price and sell it for more than you paid

The difference represents your profit

PROFITING IN **BULL MARKETS**

Calls

A call option is the right to buy a stock at a particular price until a specified date

A call option buyer, who pays a premium, anticipates that the stock's price will rise, while the call option seller anticipates that it will fall

PROFITING IN **BULL MARKETS**

Exchange-Traded Funds (ETFs)

ETFs trade like stocks, and most follow a particular market average, such as the Dow Jones Industrial Average (DJIA) or the Standard & Poor's 500 Index (S&P 500)

ETFs seek to replicate the movement of the indexes they follow, less expenses

For example, if the S&P 500 rises by 10%, an ETF based on the index will rise by approximately the same amount

PROFITING IN BEAR MARKETS

Short Positions

Taking a short position, also called short selling, occurs when you sell shares that you don’t own, in anticipation that the stock will fall in the future

If it works as planned and the share price drops, you must buy those shares at the lower price to cover the short position

PROFITING IN BEAR MARKETS

Put Options

A put option is the right to sell a stock at a particular strike price until a certain date in the future, called the expiration date

The money you pay for a put option is called a premium

As the stock price falls, you can either exercise the right to sell the stock at the higher strike price, or you can sell the put option, which increases in value as the stock falls, for a profit

PROFITING IN BEAR MARKETS

Short ETFs

A short-exchange traded fund (ETF) produces returns that are the inverse of a particular index

For example, an ETF that performs inversely to the Nasdaq 100 will drop about 25% if that index rises by 25%—but if the index falls 25%, the ETF will rise proportionally

This inverse relationship makes short ETFs appropriate for investors who want to profit from a downturn in the markets, or who wish to hedge long positions against such a downturn

PREDICTING

THE FUTURE

IS NOT EASY!

Markets trade in cycles, which means that most investors will experience both the bull and the bear in their lifetime

The key to profiting in both market types is to spot when the markets are starting to top out or when they are bottoming

If these investment strategies seem complex and hard to understand—don't feel bad, they ***are*** complex and hard to understand

Professional traders, stockbrokers and fund managers spend their time analyzing the markets and looking at key indicators

Even experts aren't always able to predict the next bull and bear markets

INVESTING CAN BE RISKY

Investments made in stocks or commodities carry the risk of losing money, even when made through a financial advisor or financial institution

Sources: First Trust Portfolios, Investopedia, Morningstar, StockCharts.com, The Vanguard Group

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