

BATTLE OF THE BULL AND BEAR

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Market volatility is a central concern among investors. The recent bear market event was the result of the Covid-19 pandemic which had sparked fears of global economic slowdown, but markets recovered as they always have over time.

Recent developments such as the geopolitical tension between Ukraine and Russia, the anticipation of the Federal Rate hikes and the global recession fears have created uncertainties, resulting in a market sell down globally, so as FBM KLCI Index, as investors turned risk averse.

It is essential to review historical trends to put market volatility concerns into perspective. As shown in the tables below, **bulls have been longer and more sustained than bears with an average of 728 bull days versus 204 bear days based on 40 years of historical data.**

Figure 1: Bull and Bear Facts from 1980 to 2021

Average Bull market gains	+83.0%
Average Bull market days	728 days
Average Bear market loss	(30.6%)
Average Bear market days	204 days

Source: Bursa Digital Research

Market volatility may be minimised with a long-term outlook. Our peak to trough analysis in Figure 2 and Figure 3 show that **market usually gain higher returns with an average of 83% as compared to an average loss of 30.6% during major bear market events.**

Figure 2: Peak to Trough Analysis

Major Events	Peak to trough			
	Start date	End date	No. of days	% Change
Covid-19 Pandemic	31-Dec-19	19-Mar-20	79	(23.2)
Recession fears (Fed rate hikes)	20-Apr-18	28-Jun-18	69	(11.8)
2015 Sell-off*	27-Apr-15	26-Aug-15	121	(15.0)
Oil Glut	31-Oct-14	16-Dec-14	46	(9.8)
European Debt Crisis	8-Jul-11	26-Sep-11	80	(11.0)
Global Financial Crisis	11-Jan-08	29-Oct-08	292	(45.3)
SARS Pandemic	23-Apr-02	11-Mar-03	322	(23.4)
Dotcom Bubble	18-Feb-00	9-Apr-01	416	(45.4)
Asian Financial Crisis	28-Feb-97	1-Sep-98	550	(79.3)
Mexican Financial Crisis	5-Jan-94	24-Jan-95	384	(36.0)
Gorbachev coup	3-Jun-91	1-Oct-91	120	(17.4)
Iraq invades Kuwait	1-Aug-90	28-Sep-90	58	(27.4)
1987 stock market crash	10-Aug-87	7-Dec-87	119	(52.5)
		Average	204	(30.6)

*The 2015 market sell-off was a confluence of events i.e. China's GDP slowdown, Greek debt default, US quantitative easing and Brexit.

**The start date represents the FBM KLCI Index peak date while the end date represents the date FBM KLCI Index's hit its lowest point.

Source: Bloomberg

Figure 3: Trough to Peak Analysis

Major Events	Trough to Peak			
	Start date	End date	No. of days	% Change
Covid-19 Pandemic	20-Mar-20	16-Dec-20 [^]	271	37.9
Recession fears (Fed rate hikes)	28-Jun-18	28-Aug-18	61	(3.0)
2015 Sell-off*	26-Aug-15	20-Apr-18	968	19.9
Oil Glut	16-Dec-14	27-Apr-15	132	11.3
European Debt Crisis	26-Sep-11	29-Sep-14	1099	38.4
Global Financial Crisis	29-Oct-08	8-Jul-11	982	83.8
SARS Pandemic	11-Mar-03	11-Jan-08	1767	140.9
Dotcom Bubble	9-Apr-01	23-Apr-02	379	45.9
Asian Financial Crisis	1-Sep-98	18-Feb-00	535	283.3
Mexican Financial Crisis	24-Jan-95	28-Feb-97	766	49.8
Gorbachev coup	1-Oct-91	5-Jan-94	827	151.7
Iraq invades Kuwait	29-Sep-90	3-Jun-91	247	37.1
1987 stock market crash	7-Dec-87	1-Aug-90	968	182.5
	Average		728	83.0

*The 2015 market sell-off was a confluence of events i.e. China's GDP slowdown, Greek debt default, US quantitative easing and Brexit.

**The start date represents the lowest point of FBM KLCI Index while the end date represents peak point of FBM KLCI Index.

[^]Nearest peak to the Covid-19's lowest point

Source: Bloomberg

The table below shows that in the months after market bottomed, the market typically recovers quickly. On average, market recovers by 18.5% in three months, 25.0% in six months and 35.6% in nine months after market bottomed.

Figure 4: Three-month, Six-month and Nine-month Analysis Post Major Events

Major Events	Change (%)		
	3M	6M	9M
Covid-19 Pandemic	23.6	23.5	35.5
Recession fears (Fed rate hikes)	7.7	1.6	(1.5)
2015 Sell-off*	6.5	5.3	3.2
Oil Glut	6.4	2.9	0.5
European Debt Crisis	12.7	18.9	19.7
Global Financial Crisis	7.4	25.9	41.6
SARS Pandemic	11.2	20.0	28.2
Dotcom Bubble	13.4	10.2	26.6
Asian Financial Crisis	97.5	102.3	189.1
Mexican Financial Crisis	16.0	24.3	12.8
Gorbachev coup	5.8	12.8	14.3
Iraq invades Kuwait	9.1	27.0	38.3
1987 stock market crash	23.1	50.7	54.2
Average	18.5	25.0	35.6

Source: Bloomberg

As shown in the following figure, the total gains from 1980 to 2021 is 327.5%. The market always returns stronger after a fall. **Over the longer term, the bull has the tendency to remain in charge.**

Figure 5: FBM KLCI Index Price Chart, 1980 to 2021



Source: Bursa Digital Research

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