



**The recent Bull Market in stocks is simply that, a load of Bull!**

Investors are being wooed by much pre US election nonsense, otherwise how can the recent bullish nature of the market be explained?

They would be well advised to take a lesson from Japan that an essential ingredient to the end of a long valuation bear market is revulsion. It is when “buyers-on- dips” become “sellers-on-rallies”. It is when volume dries up to almost nothing.

In Japan members may recall the huge rallies in the Nikkei on the back of short-lived cyclical recoveries. Each cyclical failure and further new lows in the equity market showed positive positions then being devastated. Previous US valuation bear markets typically took 4 or 5 recessions to fully play out. The US this time has had only two!

The market is once again in a hope phase — hoping that the US is now in a self-sustaining recovery; hoping that China might find a softlanding; hoping that the Greece bailout and the ECB liquidity polices have settled things down in the eurozone. I would comment simply that it is too early to say. Hopes should not be raised at this juncture.

The recent US market has no grounds for ‘hope.’ This market is essentially one within a long bear market! The negative effects of the ongoing woes in China, the Euro zone still being a dark horse and Greece certainly not yet out of trouble have only postponed matters. As for a US recovery in this market some serious common sense is needed.

I would state that the turning point came in 2000, when America’s financial decline began to speed up as the credit-driven economy could no longer produce real jobs, real GDP or real wealth.

Stocks rose, yes, on the back of a massive bubble of debt that then imploded. At that time it was mostly private debt. Now stocks rise again, but this time it is far worse since it is rising on the back of public debt!

Either way, it cannot last. Eventually, the bear market will resume and run its course.

As long as there is stock market hype backed by good news, good news, and more good news as part of the election jargon coming out of the US, investors may continue to buy the dips. They are hoping to catch the next upward trend, but when the reality is eventually noticed there will be no move to the upside. Will buying of dips cease so that prices can finally fall to their ultimate low value? The buyer should note that caution should be the order of the day in this market!

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