

# Let's talk wealth management



As founder of Wealthflow LLP, Duncan Glassey's advice features regularly in finance journals and national press. If you would like to talk more about specialist wealth management and financial life planning you can call Duncan direct on : **0845 468 0037**

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The Scotsman newspaper : SIX PART INVESTMENT SERIES - Part 4

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## How does the current stockmarket downturn compare to past cycles?

I've gone back as far as 1896 and looked at the 10 greatest 'bear' markets. What do we find? We find there are a significant number of downturns that are not just qualifying for a 20% decline, the normal definition of a bear market, but 10 that qualify as negative 40% or more.

It's tempting to look at these past events and try to tease out some pattern in terms of degree of decline or the number of months of decline and try to estimate how bad the current situation is, when is it likely to be over, how soon can I expect prices to recover?

Much as we might like to identify some sort of pattern there is no reliable pattern here. All we can say is that after every bear market there has been a recovery and that's about as good as it gets.

And we see this pattern repeated around the world, in large company shares, in small company shares, in international shares and in shares in the emerging markets countries. The bull and bear market cycle goes on and on and after every downturn there is a recovery, often a very dramatic recovery.

And we also see that in many downturns perhaps most downturns, certainly the extreme ones, the news background may vary but for one reason or another investors appear to have many reasons to be anxious and worried about the future.

After the crash of 1987 we heard many observers comment how obviously we had entered a new era, the old period of 'easy money' was gone and gone for good. Sound familiar?

In 1990 we had a very severe recession with enormous falls in property prices.

In 1997 a number of Asian countries were in extreme financial distress with collapsing house prices and banking problems very similar to our problems of today and once again there appeared to be no easy way out. A prominent investment observer residing in Hong Kong, Marc Faber, stated that he had never witnessed the level of wealth destruction in his career, and his outlook was also very gloomy for the next 12 - 18 months.



In 1998 in the aftermath of the Russian Government bond default, a very worrisome time, and once again the outlook appeared to be particularly gloomy for markets around the world and perhaps the most surprising aspect of the so called crash of 1998 was how quickly markets and the economy recovered.

Only 8 or 9 months later we were apparently having an even greater worry about why our irritatingly attractive next door neighbours were making more money than we were investing in technology shares.

Negative news is nothing new. We can't foretell the future, but we can clearly state that after every bear market there has been a recovery, and often far quicker than anticipated.