

The investment clock moves on

HISTORY SAYS 10,000 IS A POSSIBILITY

Financial markets are now clearly in the Recovery Phase, with economic data continuing to show anticipated improvement in business, consumer and GDP growth likely into 2010/2011.

The sharemarket has recovered by almost 52%, since its low point of 3109 in March 2009, bringing the All Ordinaries Index ever closer to the magic 5,000. It has been a remarkable feat to see such a recovery unfold, with many market analysts earlier predicting how delighted they would be if the market recovered close to 4,000 by calendar year end. This highlights the cyclical nature of markets and the reason why history can be a significant reference point in indicating what can be expected ahead. History shows us that once a bear market ends, it can take an average of up to 33 months to exceed the previous market high. If the bottom of the market was reached in March 2009 and the previous market high of 6,800 was in November 2007,

it is possible to predict that we could see this previous high (6,800) reached sometime in 2011. Who knows, one day we may even see an index of 10,000. One of the best available guides for determining market cycles within an historical context is The Investment Clock. The Investment Clock has been around since it was published in London's *Evening Standard* in 1937. I was first introduced to the concept as a sharebroking rookie in the early 1980s and was often struck by how accurate it was at predicting what might lay ahead. While not flawless, the clock often provides a useful guide for making investment decisions.

WHAT TIME IS IT?

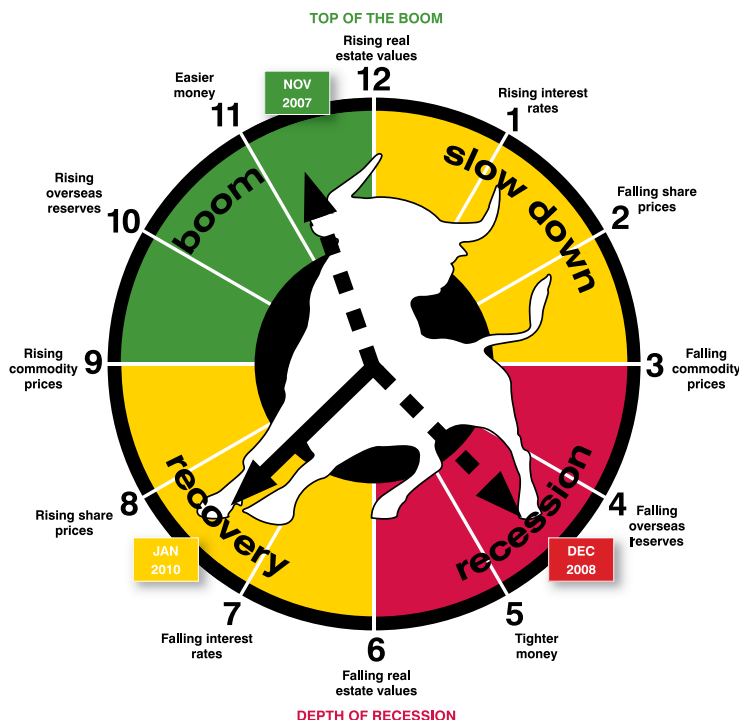
On The Investment Clock we appear to have moved past 7 o'clock towards 8 o'clock, where interest rates reached the bottom of the cycle and are now moving back to a more normal setting in line with the Recovery Phase. It is expected that the cash rate will end up between 4.5 and 5.5% in 2010. In recent

months we have also witnessed a stabilisation in the labour market, with unemployment as a lagging indicator, now likely to peak closer to 6.5%, than the original Government forecast of 8.75%. Australia has managed to weather the recessionary storm better than most other industrialised countries. The sharemarket continues to show signs of recovery, with many companies likely to report sustained or increased earnings after a year and a half of tightening and consolidation in order to be positioned to take advantage of the Recovery Phase. These are all the classic signs of the re-emergence of the early stages of a cyclical bull market.

2010 AND BEYOND

2010 offers some real prospects for positive GDP growth returning, which will also be assisted by the major economies around the world. Remember that in any market cycle you should keep your head, while all those around you lose theirs.

World's First Interactive Investment Clock
– visit www.boursecommunications.com.au



Time to revisit an old favourite – The Investment Clock

“No one rings the bell at the top or the bottom of the market”

Financial markets can often be in a daily tailspin depending on the receipt of good or bad news. The sharemarket is largely driven by the changes in market sentiment. Companies can often be challenged to maintain earnings in the various stages of the investment cycle. Investors should now be asking themselves, what time is it?

Investment experts have often looked to an old technique called The Investment Clock to establish what they should do next with their money and determine where they are in the current investment cycle. The Investment Clock itself has been around since it was first published in London's *Evening Standard* in 1937. While not flawless the clock often provides a guide for making investment decisions.

This information has been prepared for the purpose of providing general information, without taking account of any particular investor's objectives, financial situation or needs. You should, before making any investment decisions, consider the appropriateness of the information, and seek independent professional advice having regard to your objectives, financial situation and needs.



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