

## Gibraltar Asset Management Stock Market Commentary

GIBRALTAR ASSET MANAGEMENT LIMITED  
STOCKBROKERS & INVESTMENT MANAGERS

# Lack of celebration suits long-doubted bull market

Not a lot of confetti rained down on the 10-year-old bull market celebration last month, which got underway in March 2009. Some investors argue that being unloved is what has kept this bull going. Coming out of the worst recession since the Great Depression, the bull market was distrusted from day one and, even after 10 years, has never lacked for doubters. Subpar GDP growth has accompanied the bull and perhaps been echoed in several slow-grind stock years. Indeed, several times, the bull came uncomfortably close to bear territory; the most notable selloffs occurred in August 2011, February 2016 and December 2018. So many stocks were in bear territory that the bull's whisker-thin avoidance is almost beside the point. Some investors therefore argue that the 10-year bull market is really a chain of shorter bulls and that the "real" bull market is barely out of short trousers.

by Mark Maloney, Managing Director, Gibraltar Asset Management Limited

## Market Outlook

**O**ur allocation to the stock market moves to equal weight. Following the 10% rise in the FTSE 100 this year, the stock market no longer looks such good value. Whilst further upside is possible by year end, geopolitical risks are heightening and any breakdown of US/China trade talks or a default "no-deal" Brexit will likely cause massive disruption to the financial markets in the interim. And with the VIX more than 30% below its historical average, there are signs that complacency has crept into the market.

We do not, however, see things so bad as to advise those fully invested to bail out. What makes us not outright bearish?

Well, talk of an inverted yield curve being a sign of an imminent recession is, in our view, a little premature. Since the 2008-09 recession, investors have never lost the habit of buying ultra-safe sovereign debt from nations like Germany, where 10-year yields have fallen below zero. It is worth noting that the spread between the 10-year yield and various short maturities has been much tighter than average for the past several years. Indeed, inverted yield curves have even been known to spur a short-term rally in stocks, as sinking bond yields chase some income-seeking investors back into stocks.

The broad participation in the market rally also provides comfort to those who may be feeling a little nervous. All sectors have risen so far this year, making this advance more sustainable than that

experienced in 2018 when leadership was thin and concentrated in FAANG-like stocks. The stock market is also favouring risk-on sectors, suggesting investors have moved on from the panicky fear of recession that infected the fourth-quarter stock market and sent stocks spiralling lower.

And seasoned investors are aware that the third year in the US presidential election cycle is the best year for the stock market. The conventional wisdom is that the party of the sitting president will "prime the pump", adopting policies and programmes designed to further stimulate the economy. However, trees don't grow to the sky and now is not the time to go "all in". In short, we would be very selective when it comes to investing new money, concentrating on low-beta stocks and decent-

yielding bonds for investment opportunities.

## 'Overconfidence in the investment world leads to future underperformance'

Overconfidence is bad for your wealth, according to new research. Daniel Czaja and Florian Roder, two economists at the University of Geissen, studied 45,000 comments posted on a trading platform by 2,000 traders and found that those who attributed good returns to their own skill rather than to luck subsequently did worse than other traders. "Self-enhancement bias leads to future underperformance," they concluded.

This corroborates other research which found that overconfident investors trade too much and see worse returns. Sophisticated investors are also prone to buying expensive but poorly-performing actively managed funds in the mistaken belief that they have the ability to spot good fund managers. And good past returns, even over short periods, can embolden traders to take on too much risk and so lose money. All this poses the question: if overconfidence is so dangerous, why is there so much of it? One answer lies in something else that Messrs Czaja and Roder found. The trading platform they studied issues products that allow others to invest in replicas of other traders' portfolios. They found that "traders prone to the self enhancement bias attract significantly higher investment

flows." People tend to mistake others' overconfidence for genuine ability and so are more likely to hire them.

This might not be wholly irrational, however. It can make sense to hire an overconfident fund manager because his belief that he can beat the market will encourage him to work harder. It's likely that a similar thing is true in other jobs. The overconfident boss who thinks he can turn a company around is more likely to work harder, and perhaps succeed, than the man who thinks he has no chance. As Arsene Wenger once said, "If you do not believe you can do it then you have no chance at all." Overconfidence is so common, therefore, in part because it sometimes works. It gets the confident people into top jobs and might cause better performance in them. The problem comes when we transfer overconfidence from domains where it is useful to ones where it is not. Investment is likely to fall into the latter category.

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## ON TV tonight

### Lee and Dean

Channel 4, 11pm

by Richard Jones

**A**fter the explosive stag and hen weekends at the end of series one, will things ever be the same again between the one-time best mates?

Fans of the critically acclaimed, bittersweet comedy about a pair of builders from Stevenage will find out tonight as it returns to our screens. The boys, their friends and exes, are all trying to re-build their lives - so expect more rubble, trouble, make-ups and break-ups, bark-rubbing, booze and poetry.

Written by and starring Miles Chapman and Mark O'Sullivan, Lee and Dean was one of the comedy hits of last year, but how have the duo found the pressure of delivering that 'difficult second series'? "Season one was really well received, and you don't want

series two to be less than that," Miles says.

"We're hoping that it's better. Although conversely I felt less anxious this time, I don't know why.

"Our first series, we'd never done this before, whereas this time we knew what was coming up. It is still worrisome writing the story, and thinking "Is this good enough, is this funny enough?"

For newcomers to the sitcom, it follows Lee (Chapman), a proper geezer who is all about the botched job ("we'll have a go at most things") and doesn't miss a chance to charm the ladies. His best mate Dean

(O'Sullivan), on the other hand, is a sensitive soul who enjoys writing poetry and bark rubbing.

The pair live together, work together and drink together, or at least they did until the end of the last season.

Scattered to the four corners of Stevenage, Lee and Dean are reunited for the first time since



the tears and revelations of Great Yarmouth by a funeral. Mark explains: "It's a few weeks later, and things haven't really improved from where we left them at the end of series one. "Everyone's been cast to the four winds, and it's only when there's a bit of a tragedy that everyone is brought back together."

Miles adds: "No-one has really spoken since the stag and hen dos. It was such a huge falling out for everyone, and it's obviously going to be a difficult situation when everyone's back together again. There are so many things that have been left

unsaid."

One of the things that has been left unsaid is the drunken kiss between Lee and Dean. So what do the duo think their characters made of that, and how do they see their sexuality? "We actually find out later on in this new series where they both are with that," Mark says. "At this point, where we rejoin them at the start of the series, I think it's not really clear where either of them are in their heads.

"It seems to be that life is just carrying on, taking turns that you wouldn't necessarily foresee for them, particularly for Dean." Camille Ucan reprises her role as Nikki, with Anna Morris returning as Mrs Bryce-D'Souza, and Cariad Lloyd (Peep Show) and Colin Hault (Derek) joining season two's cast. Morris explains what has become of her character: "At the end of the first series she's announced that she's pregnant. "We've moved on a bit and she's in the early stages. She's got a

bit of a bump. She's at a bit of a transient point.

"She's made changes, she's moved house. It's hilarious; in the first episode she says she's 'downsized' but it's still another massive house. To her she's downsized. She hasn't even got a boot room!

"She's not with Jaunty anymore, her ex. She's also rediscovered her career, she's invested in property with her father's money.

"She's cut herself off from everyone. She's lost Nikki as a friend, which is really sad. She's at a very vulnerable stage because she's pregnant. You're not quite sure who the father is at the beginning and I don't know if she's quite sure." And she's not the only one whose predicament is changing - Dean also has a surprising new addition in his life.

But can the builder build bridges with Lee, and vice versa?

(PA)