LightHouse Investment Services

"I will tell you how to become rich. Close the doors. Be fearful when others are greedy. Be greedy when others are fearful."

Warren Buffett

The Australian share market is up 24.8% (including dividends) over the first nine months of this financial year. One measure of a "bull market" is that it has risen 20% so, in one sense at least, we are currently experiencing a bull market. However a bull (or bear) market is not simply characterised by movement in the market. It is as much a state of mind, a collective interplay between fear and greed. There are a number of indications that the market is feeling the fear a little less and the greed a little more.

Market commentators who were suggesting last June that it would be irresponsible to invest in equities because of the high level of risk are now suggesting that retail investors should jump on for the ride[1]. (Which begs the question, if I paid $10,000 for something nine months ago was I really taking on more risk than by paying $2,500 **more** for the same thing today?) The level of retail broking accounts being opened by mum and dad investors is on the rise as is the level of margin lending. Cash is starting to flow out of maturing term deposits and into equities.

Whilst these factors may bolster the market they are not in themselves reasons to be making further investments in equity markets. We need to remain disciplined and only invest in situations where there is clear value and continue to take profits where price has exceeded value. To borrow from Warren Buffett, now is a time when we should be feeling the fear a little more and the greed a little less.

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[1] "Make as much money as you can when the market is running. Get out when it isn't." Marcus Padley, *Sydney Morning Herald*, March 9 2013