

Where is The Philippines Stock Market (\$EPHE) In The Justin Mamis Investor Sentiment Cycle?



The Justin Mamis Investor Sentiment Cycle



ENTHUSIASM

Once it is widely accepted that economic and corporate fundamentals are supporting higher prices, a bell goes off. The bull survived The Big Dip. Those who had previously been afraid now have plenty of reasons – and proof – that it is safe to go back into the market and buy again.

At this point, we detect a subtle change in psychology, a shift from the fear of loss to the fear of missing out, and the appetite for risk becomes evident. Investors buy on faith, bolstered by analyst and media reports projecting the trend to continue. As price rises to new highs, they all scream, “It’s a breakout!” They are supremely confident that the best is yet to come.

The high made in the Returning Confidence phase typically marks the ‘point of breakout’ and becomes an important psychological number. We know this high is where sellers showed up before, and if price should sink below this area, traders and investors might come to the conclusion that the breakout failed, and therefore, begin selling in case the uptrend is approaching the point where it starts to bend.

At some point, all the buyers who want to be in the market have bought, and they stop buying. Smart money begins to take some off the table. The net result is rotation of buying and selling from sector to sector, causing the major stock indexes to stop going up in any meaningful way and price charts to churn and chop. In the old days, they called this ‘distribution’, marking the transfer of stock from smart to dumb money, from strong to weak hands. This area is where a buildup of participants in position to write sell tickets takes place. If price fails to move up or it comes back under the point of breakout, selling begins.

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[The Philippines may be finally getting its act together](#)

“Many see the [Philippines] entering a new era of economic prosperity and equitable development,” the Asian Development Bank said in a report (pdf p.1) last year.

*In short, **the Philippines is growing almost as fast as China, but is much less developed, so potentially has more gains ahead.** It does not have China’s problems with wasteful state investment, which suggests China is running out of real growth and has caused a boom in subprime financing. The Philippines also has a healthy consumer economy. While household consumption was just 34% of GDP in China in 2011, the Filipino figure is much higher, at 74%, according to World Bank data.*



Filipino traders celebrating the end of a stellar 2012 for the nation's stock market--AP
Photo/Aaron Favila

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