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The sky is blue again for this financial planner

“An optimist is a person who sees a green light everywhere, while a pessimist sees only the red stoplight; the truly wise person is colour blind.” – Albert Schweitzer

You know the multitude of reasons why you should sell. I am writing this not only to ask to you hold out, but rather to advise you to consider adding to your positions. Many Singaporeans have rainy day funds stacked aside somewhere, and I am saying that now would be one of the best moments in financial history to invest some of that rainy day funds at a very low risk.

Conservative investors can consider some of the STI component stocks. The brave hearts can look at some of the battered down S-chips. For the newbie, you can simply buy the SGX Singapore exchange traded fund. For me, buying good quality stocks at depressed prices is always a low risk proposition on matter what is your risk profile. The last time STI was so cheap (PE and NTA adjusted) was during the abyss of the Asian Currency Crisis. We all know how much those folks who bought at the bottom make a few years down the road.

I had been very bearish and ridiculed by many clients (or ex-clients) over the past two years, losing more than \$5 million in asset under advisory as a result of withdrawals from clients who want to take more aggressive investment stance. Now, I am sticking my head out again, risking my nemesis of being too early, to say that I want to buy at or near the current market level.

The most important consideration which has driven my investment strategy over the past years has been value. For the past few years, value is hard to find, now it is everywhere. My downside target of 1600 points for the STI has been breached. There is no reason left for me to wait. Believe me or not, if you buy when STI is at 1600 points, and it subsequently drop to 1400 or even 1200, it will not matter very much to you when 10 years later, it goes back up to 3900 points again.

The stock market is a voting machine in the short run but a weighing machine in the long run. Truly, I have no idea what the market will vote next week or even in the next few months. However, I trust that it will weigh much more in five years' time. I have always believed that anyone who catches the absolute bottom in a bear market does so purely by chance. However, if we can get in anywhere near there, it will definitely prove to be quite rewarding on hindsight.

Rhetoric aside, I will give you five reasons to be optimistic. The seeds of recovery have been planted. Collective measures by the central governments will ensure economic recovery two to three years from now.

- 1) Monetary policy is very loose and is likely to get looser (i.e. interest rate going down). This will provide some form of support for the global economy. The banking crisis has more or less abated with a record amount of liquidity the central banks have injected into the financial system at the expense of the taxpayers. The only thing left to deal with is the pain of a prolonged economic contraction which should be much more bearable than the fear of an outright

systemic meltdown. Fiscal stimulus has been planned in the US, Japan and Europe to help lessen the economic suffering.

- 2) Oil and commodity prices are down and likely to stay that way for a year or two. With inflation heading down, this will allow central banks more leeway to maintain interest rates at accommodative mode for a much longer period. Cheaper crude oil will also put money directly into the pockets of consumers through lower energy prices.
- 3) Valuation in most stock markets has factored in most of the bad news. The credit crisis and economic crisis fear has come right together. This also means that there is no more canary in the mine. The rug has been pulled out from under your feet and there are no more rugs under your feet after you regain your footing.
- 4) With much better communication nowadays, fear of the repeat of the Great Depression is perhaps over stated. In fact, today's market conditions bear very close resemblance to what Benjamin Graham described at the abyss of the Great Depression in 1932. For example, out of the 9,194 stocks tracked by Standard & Poor's Compustat research service, one in 10, or about 900 stocks are trading below the value of their cash holdings. This is an even greater percentage than what Graham found back then.
- 5) The very people who have been warning you about the credit crisis like Jeremy Grantham and Warren Buffett are now buying or are starting to buy. You should not believe those who asked you to buy at or near the peak and repeatedly asked you to hold and hold all the way down. The ones you should listen to are those who have warned you to stay aside when you should. Jeremy Grantham of GMO, who advised private clients in the US and has US\$120 billion under management, is one such person. Warren Buffett who has kept most of his personal money in US treasury until recently is another. Listen to them, and you will be richly rewarded.

I would like to end with one parting piece of advice. No doubt this is a great buying opportunity, but for those looking at individual stocks rather than funds or ETFs, be very wary of companies with liabilities at more than 40-50% of their NTA. Many of these highly leveraged companies may not survive the double blows of slumping profit and the sky-rocketed refinancing cost. Let's invest accordingly.