



BULL AND BEAR MARKETS EXPLAINED

The terms "Bull" and "Bear" are used to describe market conditions. The direction of the market is a major force that has a huge impact on an investor's portfolio therefore it is important to understand how each of these market conditions may impact investors' investments.

Bull Market

This is a market that is on the rise and where the economy is sound with high employment levels. The general atmosphere of the economy is optimistic and businesses seem to be growing well. The stock market is expected to continue rising throughout a bull market. A bull market is characterised by a sustained increase in prices of companies' shares. In a bull market, there is strong demand and weak supply for securities. The high demand and weak supply of securities leads to the rise in share prices as investors compete to obtain the available equity. Investors' perception in a bull market is usually positive therefore investors will willingly participate in the hope of obtaining a profit. During a bull market most investors take advantage of rising prices and buy stocks early in the trend and then sell them when they have reached their peak.

Bear Market

A bear market is the exact opposite of a bull market. Instead of a rising tide, the market will fall drastically. There is generally a pessimistic atmosphere about the economy and less confidence in the market. The economy slows down and unemployment rises as companies begin laying off workers. A bear market exists in an economy that is receding and where most stocks are declining in value. Investors believe that the downward trend will continue. It is risky to invest in a bear market as many equities lose value and prices become volatile. Investors therefore withdraw their money from the bear market and hold onto the cash until the trend reverses.

Investors should expect to encounter bull and bear markets during their investing years. Investors are encouraged to seek advice from licensed investment advisors for advice on what to do in each market. Kindly visit our website, www.seczim.co.zw for a list of the licensed investment advisors. You are encouraged to ONLY seek services from licensed capital market players.

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