



ORIGINS OF THE TERMS BULL AND BEAR MARKET

The terms "bear" and "bull" are often used to describe general actions and attitudes, or sentiments, either of an individual asset or the entire market. How did these two animals get into finance? The actual origins of these expressions are unclear but let us take a look at some theories around these terms.

Methods of Attack

A bull attacks by lowering its head, charging towards its target confidently and thrusting its opponent up into the air using its horns while a bear attacks by swiping its paws downwards and attacking when in fear. The methods of attack by these two animals symbolise the movement of a market. The bull market is characterised by investors gaining confidence and the prices being similarly thrust into the air while a bear market is characterised by prices moving downwards resulting in low investor confidence.

Bearskin Jobbers

Historically, the middlemen in the sale of bearskins would sell skins they had not yet received. They would speculate on the future purchase price of the skins from the trappers, hoping they would drop. These middlemen became known as "bears," short for bearskin jobbers, and the term stuck for describing a downturn in the market. Conversely, because bears and bulls were widely considered to be opposites due to the once-popular blood sport of bull-and-bear fights, the term bull stands as the opposite of bears.

The London Stock Exchange

The London Stock Exchange was established at the turn of the 17th century. At its inception, there was a bulletin board on which traders posted offers to buy different stocks. When there was a high demand for stocks, the board was full of bulletins, commonly called "bulls." When there was little demand, the board was "bare." Therefore, a bull market is when the market is up, and a bear (bare) market is when the market is down.

All these theories simply help us to understand how these terms came about. The history of the financial markets is rich with these sort of theories and fascinating facts about how certain terms were formed.

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