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Business

Goldies analyst declares we have seen the bottom

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IT WAS the bear market that became a full-blown shark attack, said a Goldman Sach JBWere trader, Richard Coppleson.

Well known at the ASX for his colourful trading reports issued daily from the vantage point of the broker's institutional dealing desk, Coppleson is not afraid to mix metaphors, especially when he reckons the cascading crashes since November 2007 are more akin to a Great White shark feeding frenzy.

His summaries over the past 18 months have been regularly illustrated with pictures of white pointers doing their savage best - most notably after the ASX 200 had taken another dive, leaving the top stocks in a global financial crisis-inspired sea of red.

But Coppleson reckons the time for Jaws is over and it is safe for investors to return to the calmer waters that have followed the rallies of March and April. These have seen the ASX 200 jump almost 25 per cent in value since its last low on March 10.

Coppleson was at his effusive best at the start of the week, discussing what the tide of rising prices meant for "the shark".

"After his 18 months of circling around the stock exchange his terror run is over," the Goldies dealer told clients. "He completely tore markets apart but he cannot inflict any more damage than he already has and so off he swum [sic] back out into the deep oceans."

Having effectively called the bottom, Coppleson returned to land to counter any contrarian view that the recent bounce was just another bear rally, in which over-optimistic buying becomes the prelude to another slump in prices to lower levels than before.

"The bear market lows will never be breached," he confidently predicted on Monday after a 3 per cent jump in the market extended its eight-week rise of 773 points. "[It] has seen its point of maximum pain pass."

Yesterday's relatively tiny 7.4 point gain on the ASX 200 to 3890.4 provided further support for his theory of another bull market in the making, even though more cautious voices have said the continuing series of corporate profit downgrades could still stop the index in its tracks.

Coppleson is supported by commentators who believe that the improving economic data from the US and China - and even from Australia, which is only now entering recession - is pointing to a "V" shaped recovery.

Macquarie Research Equities says this is being reflected by sharemarkets that tend to be the first to claw back their losses after being the first to suffer from the hangover of an economic boom.

In a note to clients yesterday, analysts Neale Goldston-Morris, Tanya Branwhite and Bryan Raymond said the history of Australian economic downturns since 1960 all pointed to a "fast and large" recovery.

"We believe history will repeat itself again this time," they said.

"This means it is very dangerous to regard the recent share market performance as just a bear market rally. Again, we believe it is much more than that."

As for the outlook for profits, the Macquarie team expects them to keep falling for six months but says they will quickly bounce back as companies restock their inventories - a move they say is likely to happen over the next quarter or two.

Like all good analysts, their report was accompanied by charts and tables to support their view. Interestingly enough, there were no pictures of sharks - great whites, bulls or otherwise.