20. Recognising the revival - a check list

Just as important as protecting your wealth through cautious investing is making sure that you do not fall prey to the terminal depression that afflicts many investors just before the new bull market in stocks begins.

It's therefore important to recognise the signs of an **impending market upturn** and act accordingly.

One of the important points to bear in mind is that the market will anticipate an economic revival and therefore the new bull market may begin at a time when the economic news is still bleak.

Here's a **check list** of the attributes of past bear market bottoms:

- The market will have been trending down on relatively light volume for a year or more.
- There may be a dramatic event that produces a final bout of selling (a major bankruptcy or geopolitical crisis).
- Investing in stocks will have been profoundly unfashionable for some time.
- Large soundly financed companies may face absurd market rumours over their continued health.
- Price earnings ratios for stocks in general and the market as a whole will be in single figures.
- The price to tangible book value of the market will be less than the long-term average of 0.65.

If all of these conditions are in place, the stocks that may do best in the ensuing months and years will be those that were best avoided during the downturn.

It's as well to recognise, however, that the favourites from the top of the previous bull market are unlikely to be those that lead the upturn or resume their position as market favourites in the next boom. For one reason they may not be around any more, and investors who have sustained repeated heavy losses on them on the way down may be reluctant to back them again.

A new bull market will often bring new favourites to the fore.