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28 April 2014

Kemana Arah Bursa Saham Berikutnya?

"We can't help thinking that as it becomes ever clearer that the Fed is pretty much fixed in its determination to stop QE late this year, ***the oxygen that has fuelled the 5 year bull market is slowly draining out of the market.*** *Clearly the Fed is still buying a significant amount of bonds and thus providing a lot of liquidity but clearly only for a few more months. We think this is creating a lot more two-way tension in equity markets. Supporting this argument is the fact that those sectors that have done best since the bull market/high liquidity period started are suffering in the recent correction."*
-- Deutsche Bank's Jim Reid

"One of the more painful lessons in investing is that the prudent investor (or 'value investor' if you prefer) almost invariably must forego plenty of fun at the top end of markets. This market is already no exception, but speculation can hurt prudence much more and probably will. Ah, that's life. And with a Fed like ours it's probably what we deserve."
-- Jeremy Grantham

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Setelah beberapa hari mengalami kenaikan – yang diabaikan oleh pasar obligasi dan kredit – akhirnya isu penting dari Rusia-Ukraina Jumat lalu membanting bursa saham AS dengan keras hingga berada di areal negatif dalam basis mingguan dan bulanan.

Bahkan, tekanan Nasdaq April ini merupakan tekanan April terbesarnya sejak 2002, dan yang tak kalah buruk, tekanan indeks Russell 2000 untuk periode April adalah yang terbesarnya sejak 1989.

Jadi pertanyaannya yang sangat berharga adalah: Apakah kenaikan di beberapa hari terakhir lalu cukup kuat untuk mendorong bursa mencetak rekor tertingginya kembali? Atau sebaliknya, kenaikan hanya sementara untuk kemudian tekanan berkembang lebih dalam?

Memang, sulit untuk menjawabnya sekarang ini.

Namun pertanyaan ini perlu disimpan karena bursa sudah menutup perdagangan basis mingguannya.

Bagaimana respon bursa terhadap kenaikan tersebut akan menunjukkan bagaimana kekuatan kenaikan tersebut menjelang masuk ke **siklus periode tekanan bursa saham.**

Sebelum ke grafik, sebaiknya kita melihat dulu dengan seksama musim laporan pendapatan perusahaan, yang menurut Lance Roberts dari STA Wealth Management adalah *"**house of cards**"*:

"Just like the hit series "House Of Cards," Wall Street earnings season has become rife with manipulation, deceit and obfuscation that could rival the dark corners of Washington, D.C. From time to time I do an analysis of the previous quarters' earnings for the S&P 500 in order to reveal the "quality" of earnings rather than the "quantity" as focused on by Wall Street. One of the most interesting data points continues to be the extremely low level of "top line" revenue growth as compared to an explosion of the bottom line earnings per share. This is something that I have dubbed "accounting magic" and is represented by the following chart which shows that since 2009 total revenue growth has grown by just 31% while profits have skyrocketed by 253%.

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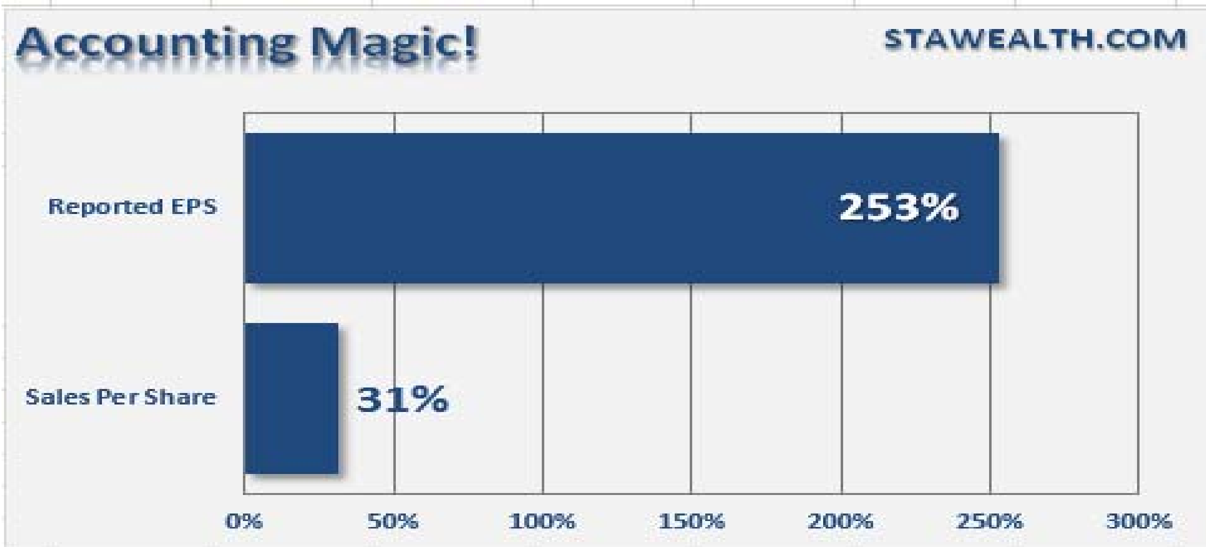

As I have discussed previously:

> *"Since 2000, each dollar of gross sales has been increased into more than $1 in operating and reported profits through financial engineering and cost suppression. The next chart shows that the surge in corporate profitability in recent years is a result of a consistent reduction of both employment and wage growth. This has been achieved by increases in productivity, technology and offshoring of labor. However, it is important to note that benefits from such actions are finite."*

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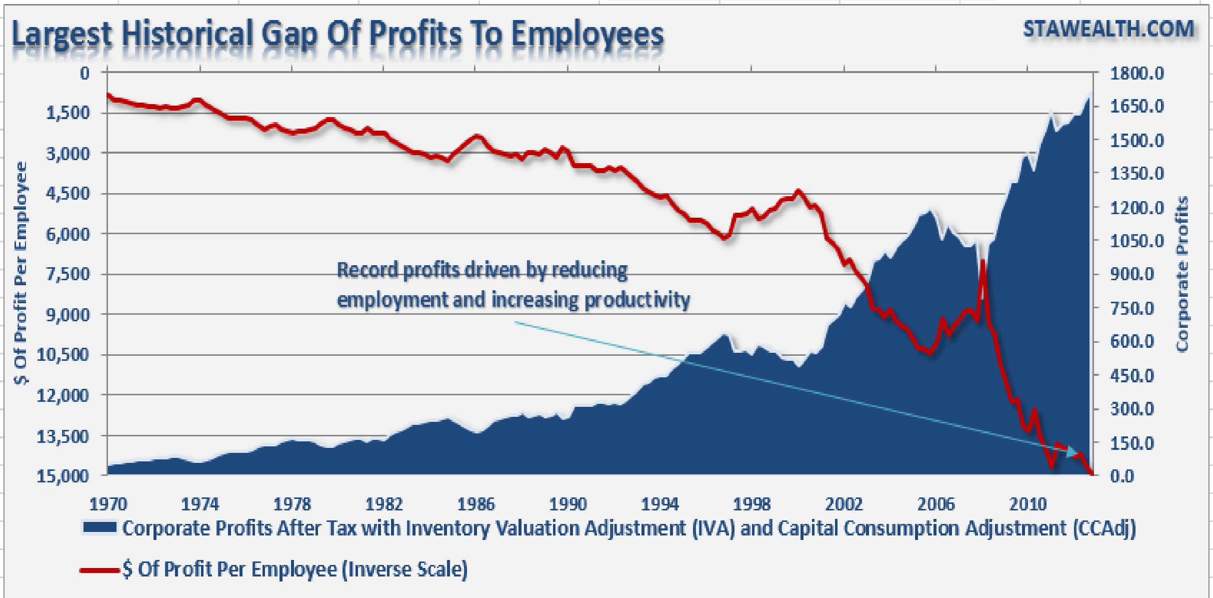

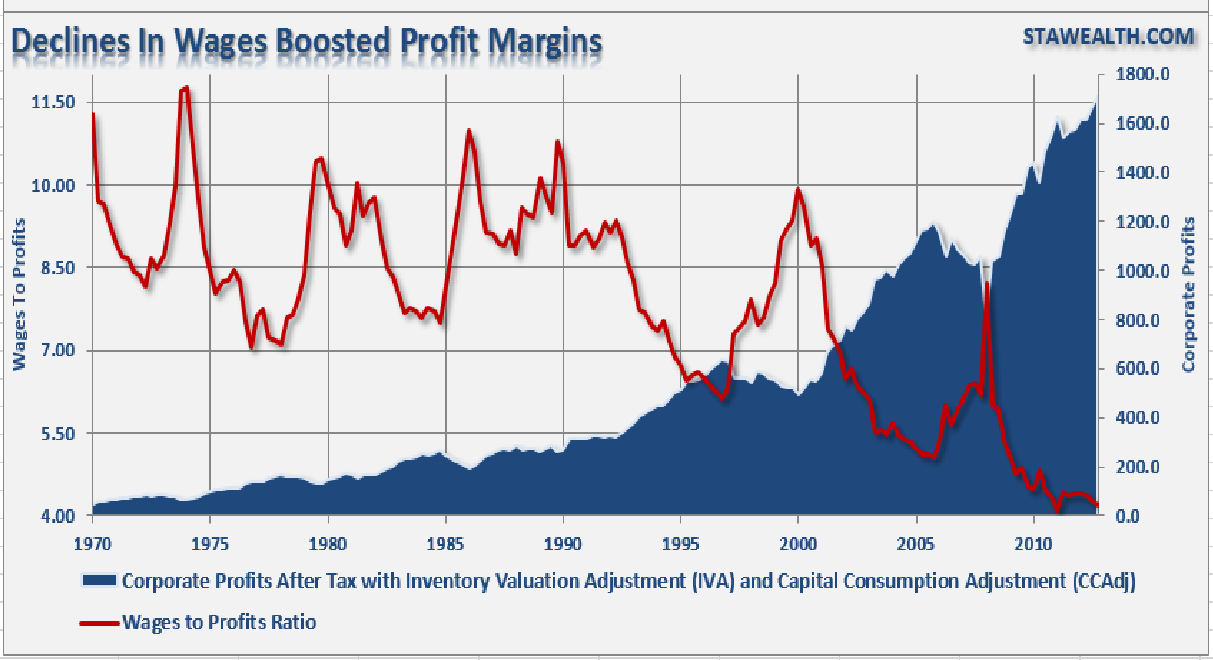

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As we enter into the tsunami of earnings reports for the first quarter of 2014, it will be important to look past the media driven headlines and do your homework. The accounting mechanizations that have been implemented over the last five years, particularly due to the repeal of FASB Rule 157 which eliminated "mark-to-market" accounting, have allowed an ever increasing number of firms to "game" earnings season for their own benefit.

This was confirmed in a recent WSJ article which stated:

> *"If you believe a recent academic study,* ***one out of five [20%] U.S. finance chiefs have been scrambling to fiddle with their companies' earnings.***
>
> *Not Enron-style, fraudulent fiddles, mind you. More like clever—and legal—exploitations of accounting standards that 'manage earnings to misrepresent [the company's] economic performance,' according to the study's authors, Ilia Dichev and Shiva Rajgopal of Emory University and John Graham of Duke University. Lightly searing the books rather than cooking them, if you like."*

This should not come as a major surprise as it is a rather "open secret." Companies manipulate bottom line earnings by utilizing "cookie-jar" reserves, heavy use of accruals, and other accounting instruments to either flatter, or depress earnings.

> *"The tricks are well-known: A difficult quarter can be made easier by releasing reserves set aside for a rainy day or recognizing revenues before sales are made, while a good quarter is often the time to hide a big "restructuring charge" that would otherwise stand out like a sore thumb.*
>
> ***What is more surprising though is CFOs' belief that these practices leave a significant mark on companies' reported profits and losses****. When asked about the magnitude of the earnings misrepresentation,* ***the study's respondents said it was around 10% of earnings per share.****"*

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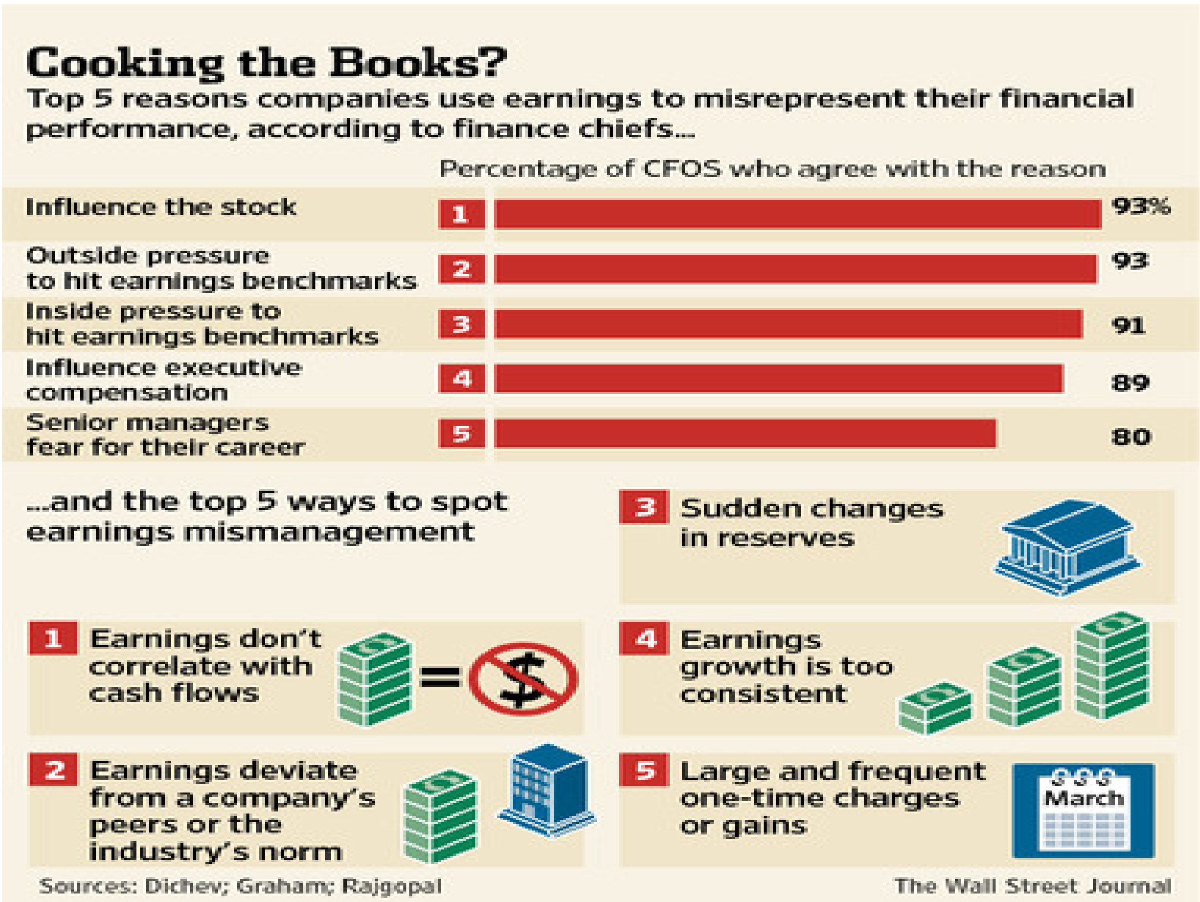

Of course, the reason that companies do this is simple: stock based compensation. Today, more than ever, many corporate executives have a large percentage of their compensation tied to company stock performance. A "miss" of Wall Street expectations can lead to a large penalty in the companies stock price.

As shown in the table, it is not surprising to see that 93% of the respondents pointed to "influence on stock price" and "outside pressure" as the reason for manipulating earnings figures.

***Note**: For fundamental investors this manipulation of earnings skews valuation analysis particularly with respect to P/E's, EV/EBITDA, PEG, etc. Revenues, which are harder to adjust, may provide truer measures of valuation such as P/SALES and EV/SALES.*

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So, as we head into earnings season, it is important to be aware of what is real, and what isn't. Wade Slome brought this into focus recently via the Investing Caffeine blog: where he pointed out four things to look for:

> *"**Distorted Expenses**: If a $10 million manufacturing plant is expected to last 10 years, then the depreciation expense should be $1 million per year. If for some reason the Chief Financial Officer (CFO) suddenly decided the building would last 40 years rather than 10 years, then the expense would only be $250,000 per year. Voila, an instant $750,000 annual gain was created out of thin air due to management's change in estimates.*
>
> ***Magical Revenues:** Some companies have been known to do what's called 'stuffing the channel.' Or in other words, companies sometimes will ship product to a distributor or customer even if there is no immediate demand for that product. This practice can potentially increase the revenue of the reporting company, while providing the customer with more inventory on-hand. The major problem with the strategy is cash collection, which can be pushed way off in the future or become uncollectible.*
>
> ***Accounting Shifts**: Under certain circumstances, specific expenses can be converted to an asset on the balance sheet, leading to inflated EPS numbers. A common example of this phenomenon occurs in the software industry, where software engineering expenses on the income statement get converted to capitalized software assets on the balance sheet. Again, like other schemes, this practice delays the negative expense effects on reported earnings.*
>
> ***Artificial Income**: Not only did many of the trouble banks make imprudent loans to borrowers that were unlikely to repay, but the loans were made based on assumptions that asset prices would go up indefinitely and credit costs would remain freakishly low. Based on the overly optimistic repayment and loss assumptions, banks recognized massive amounts of gains which propelled even more imprudent loans. Needless to say, investors are now more tightly questioning these assumptions. That said, recent relaxation of mark-to-market accounting makes it even more difficult to estimate the true values of assets on the bank's balance sheets."*

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For really short term focused traders none of this really matters as price momentum trumps fundamentals. However, for longer term investors who are depending on their "hard earned" savings to generate a "living income" through retirement, understanding the "real" value will mean a great deal. Unfortunately, there are no easy solutions, online tips or media advice that will supplant rolling up your sleeves and doing your homework.

As the WSJ article concludes:

> *"The CFOs in the study named and ranked several red flags.*
>
> ***First and foremost, investors should keep an eye on cash flow:*** *Strong earnings when cash flow deteriorates may be a sign of trouble. The advantage of this approach is that, unlike some of the other warning signs, it is easily measurable, arming the investors and analysts who do their homework with strong ammunition against management.*
>
> ***Secondly, stark deviations from the earnings recorded by the company's peers*** *should also set off alarm bells, as should weird jumps or falls in reserves.*
>
> *The other potential problem areas are more subjective and more difficult to detect.* ***When, for example, the chief financial officers urge stakeholders to be wary of 'too smooth or too consistent' profits or 'frequent changes in accounting policies,'*** *they are asking them to look at variables that don't necessarily point at earnings (mis)management.*
>
> *As the quarterly ritual of the earnings season approaches, executives and investors would do well to remember the words of the then-chairman of the Securities and Exchange Commission Arthur Levitt in a 1998 speech entitled "The Numbers Game."*
>
> ***'While the temptations are great, and the pressures strong, illusions in numbers are only that—ephemeral, and ultimately self-destructive.'"***

Couldn't have said it better myself."

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What Do the Charts Say?

Di bagian ini akan saya mulai dengan laporan John Murphy dari *Stockcharts.com*, yang sedang **mengamati potensi *'spring top'***:

*"Last December 14 I wrote a message warning of the likelihood of a market correction during 2014. Midterm election years are the most dangerous of the four-year presidential cycle. That article pointed out the fact that midterm year peaks usually start in the spring. Since April ends the "strongest six month period" that starts in November, that makes April a good time to take some money off the table. It may also make the "sell in May" maxim more meaningful this year. The good news is that a major bottom usually takes place during the second half of the year (usually in October). Calendar-wise, we've now entered the dangerous spring season. That makes warning signs of a possible market top more meaningful. The monthly bars in Chart 1 show the **S&P 500** rising above its 2007/2000 highs last spring to register a major bullish breakout. Those two prior peaks should act as major support below the market. Measuring from this week's intra-day high to the 2007 intra-day peak at 1576, an S&P 500 drop of 17% would bring it back to that major support level. That's probably the maximum correction we can expect. The red line shows the last two 17% corrections taking place during 2010 and 2011 (the 2011 correction of 19% lasted from May to October). The moral of the chart is that a correction as big as 17% would not disturb the market's major uptrend, and would most likely represent a major buying opportunity later this year.*

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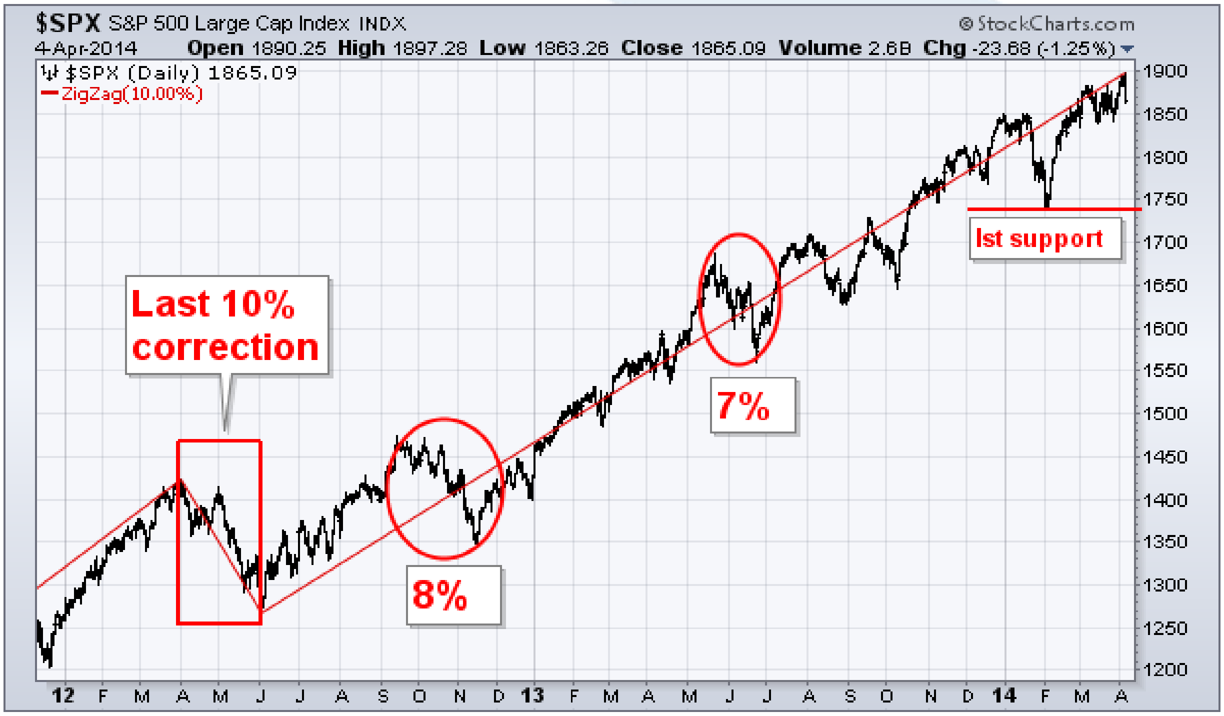

A LOOK AT RECENT S&P 500 CORRECTIONS... *Chart 2 shows the last 10% correction in the* ***S&P 500*** *(using intra-day prices) taking place in the spring of 2012 (during April and May). Two years without a 10% correction is unusual. A correction of 8% took place in the autumn of 2012, and a smaller 7% drop in the spring of 2013 (during May and June). An even smaller pullback of 6% took place this January. An S&P 500 drop to its early 2014 February low near 1740 would represent an 8% correction (see first support line). That's probably the minimum correction we can expect this year."*

November lalu pada sebuah *webinar*, Bert Dohmen dari *Dohmen Capital* memerikan peringatan terhadap apa yang disebutnya dengan ***Three Peaks and a Domed House***, seperti Anda dapat lihat pada grafik di bawah ini.

Menurutnya dia merasa khawatir ini akan sama dengan tahun 1929.

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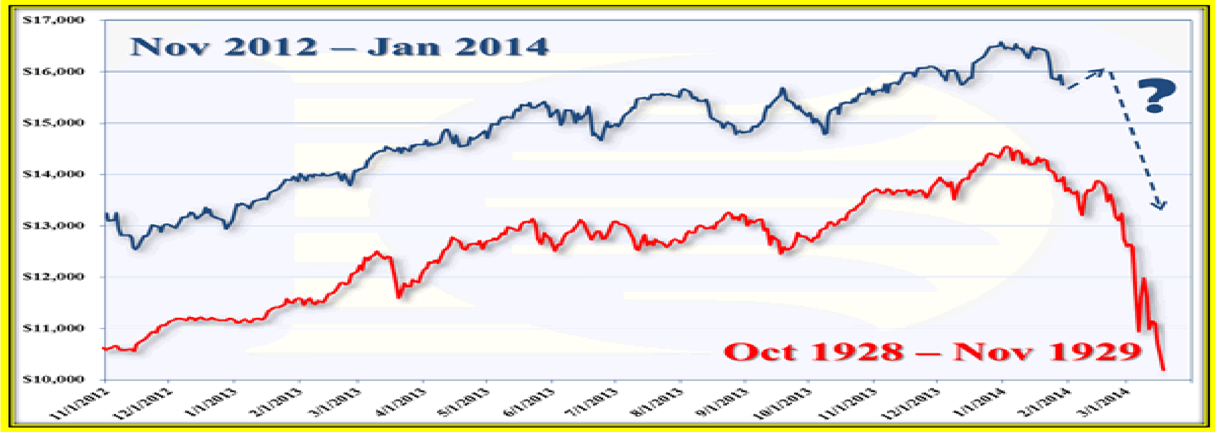

Sering terjadi, di tahap akhir pada sebuah *bull-market* saham, di dahului dengan kenaikan sebelum mengalami kejatuhan tiba-tiba.

Grafik berikut dari www.bloombergbriefs.com yang membandingkan kondisi bursa AS saat ini dengan saat kejatuhan di 1929 serta ambruknya Nikkei di tahun 1989.

Perlu dicatat bahwa kenaikan harga saham berlangsung sebelum kemudian terjadi tekanan.

Dengan kata lain terjadi penurunan tajam tiba-tiba sebagai awal dari rangkaian tekanan berikutnya.

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Dan sebagai ilustrasi dari *bubble* besar saham teknologi saat ini, berikut adalah grafik yang sangat menarik dari *SentimenTrader,* yang menunjukkan bahwa **jumlah *IPO* di bawah *earning* sungguh melonjak**:

Dan terakhir, adalah saran transaksi yang luar biasa dari Greg Guenthner, CMT, seorang editor pada *The Daily Reckoning's Rude Awakening*:

"Sometimes, making money in the markets feels "easy".

But you and I both know that perfect trading conditions can't last forever. After all, the market wants to help part with your hard-earned money. It can be downright devious, too…

Right now, your most important task is to avoid taking any major losses. Now's not the time to place any big bets or let losers ride. When a trade's not working, cut it loose. If a mental stop gets hit, don't try to wait it out. You can't hope the markets higher…

Also, if you're attempting to short the market, be sure to take profits early and often. Stocks are much more volatile when moving lower. Violent snap-backs and squeezes can easily eat up your profits on the short side."

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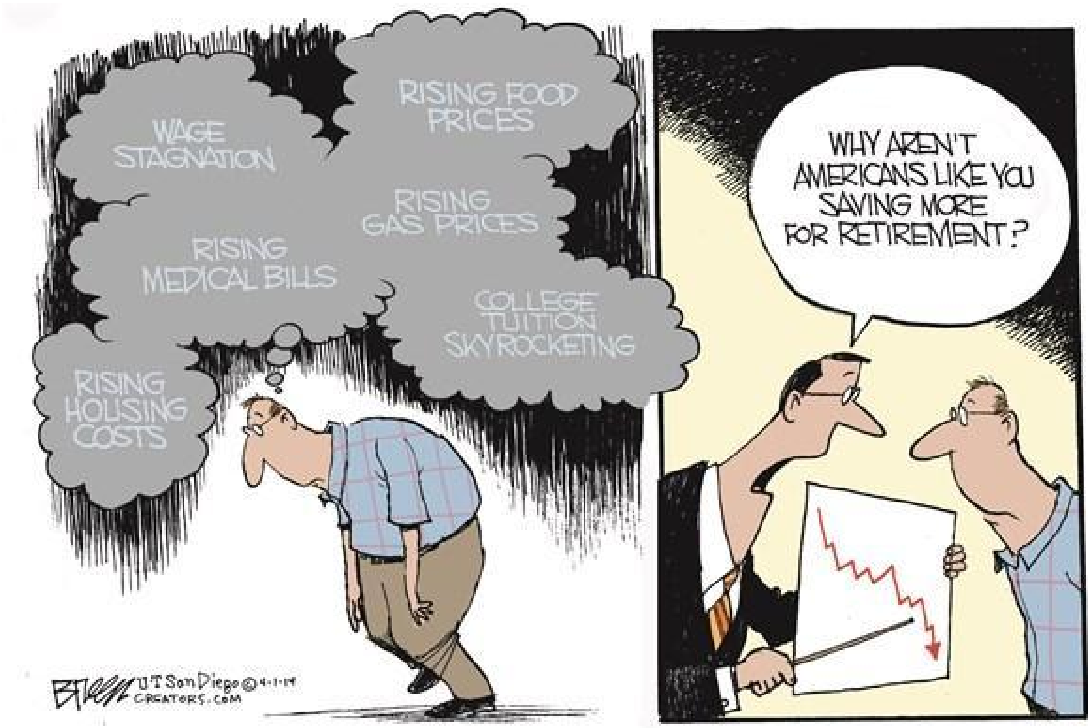
Dan berikut adalah kartun jenaka mengenai impian masyarakat AS:

"Why aren't Americans like you saving more for retirement?"



Source: Cagle via The Burning Platform

Terima kasih sudah membaca dan semoga beruntung!

Regards,
Nico Omer Jonckheere
VP Research and Analysis
PT. Valbury Asia Futures