BULL AND BEAR

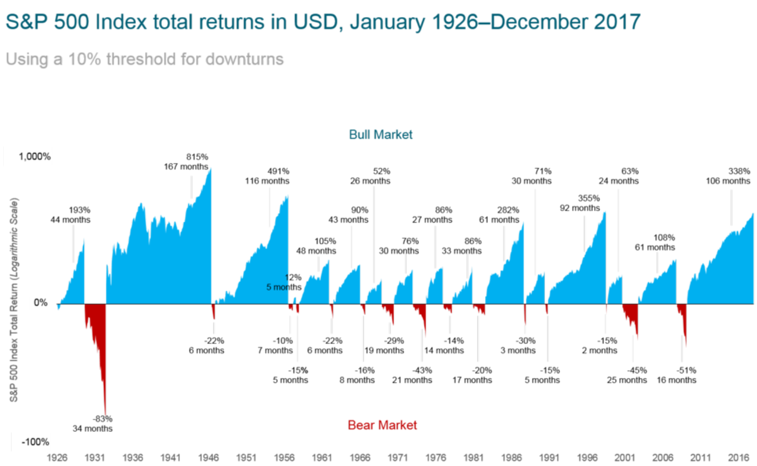
Market animals

Financial zoo

The use of symbolic and technical terms it's always been a characteristic in the world of finance. Especially this language it's full of "animals" and each of them have a specific meaning with references to those animals.
This financial zoo presents a huge list: from swans to rhinos, from hawks to doves, from bulls to bears, even unicorns.
With J**ohn Maynard Keynes**, one of the greatest economists of all time, in the '900, the financial world started to use terms about *"animals' spirits"* to denote that set of instinctive emotions that drive humans' decisions.
But there are just few animals known by the public, among these stand out the bear and the taurus, which represent the market trend and their profiteers.
No wonder why nearby some of the principal stock exchanges in the world there are figures of two of these animals (not swans or unicorns) or ,even more famous, the bronze bull of Arturo di Modica in New York near the Wall street stock exchange.

The symbolism

In slang the financial world use to talk about the "bill market" or "bear market", that is an upward phase or a downturn phase of the markets.
But why do bulls symbolize rises and bears symbolize decreases?
We find the solution in the attack techniche of the two animals: the bull uses the horns from bottom to top, instead the bear strikes with the claws from the top down.



(SPX500's graphics from 1926 to 2017: the blue one are the period of bull market and the red one are the one of bear market, considering long period times)

Trying looking for the historical origin of the diffusion of these terms there are several theories but few certainties.

Some hypotheses even refer to the Elisabeth I age while others to bear's fur markets and Daniel Defoe romance.

•The theory that refers to the Elizabethan age can be defined as an ideas association that, according to some experts, gave birth to the modern financial marketing expressions.
Ad said before the attack technique is the symbol of the market trend, but at the time it was just a fight show where the animals were forced to fight against dogs and their techniques were the **"bull-beating"** or the **"bear- beating"**. Even at that time there were bets on the possibile winner.

- Concerning the bear symbol there's another interesting theory which refers to the **bear skin sellers**; they used to buy the skins to a certain cost and earned when there was a drop in the value of those skins sold by the hunters, so the difference between the purchase and the sales value increased and their profit grew exponentially. This is what nowadays is defined as spread. For this reason exists the famous anglo-saxon expression: "don't sell the skin bear before killing him" in literal form, but in jargon it is said "don't count your chickens before they hatch".

- Arriving in the world of literature, Daniel Dafoe, a famous English novelist, used the term bear in a sense very close to the current one: in "The Anatomy of Change Alley" Dafoe states that the buyers of the Alley market are a sort of "sellers of bear skins ", ie speculators, also with reference to the previous theory. Exchange Alley was a market in a London alley where you could find everything and where speculative buying prevailed in times of market downturn.

- Finally we find the use of the word bear directly referring to a bear market with the bubble of the South Sea Company, or a company born in 1711 that signed an agreement for the purchase of the British war debt with the English Crown, an agreement of value of 10 million pounds at the time, asking in exchange for an annual interest from the state of 6% and the monopoly of trade with the Spanish colonies of South America. This very risky speculative approach took a bad turn as the company continued to issue shares at rising prices, today called the earnings per share ratio, causing a decline with a consequent total defeat, also famous for the £ 20,000 lost by the well-known scientist Isaak Newton who saw it fade away your life savings. The same year as the defeat of the bubble burst, the "Bubble Act" was enacted where joint-stock companies were banned without the approval of the Crown to limit financial speculation.

Therefore a common individual interested in knowing where these terms come from, would not be sure where they come from but it could be considered that the set of the aforementioned hypotheses could be a logical explanation or otherwise nothing would be done.

Leonardo