

Strategy Thoughts

Interim report

The Solheim Cup

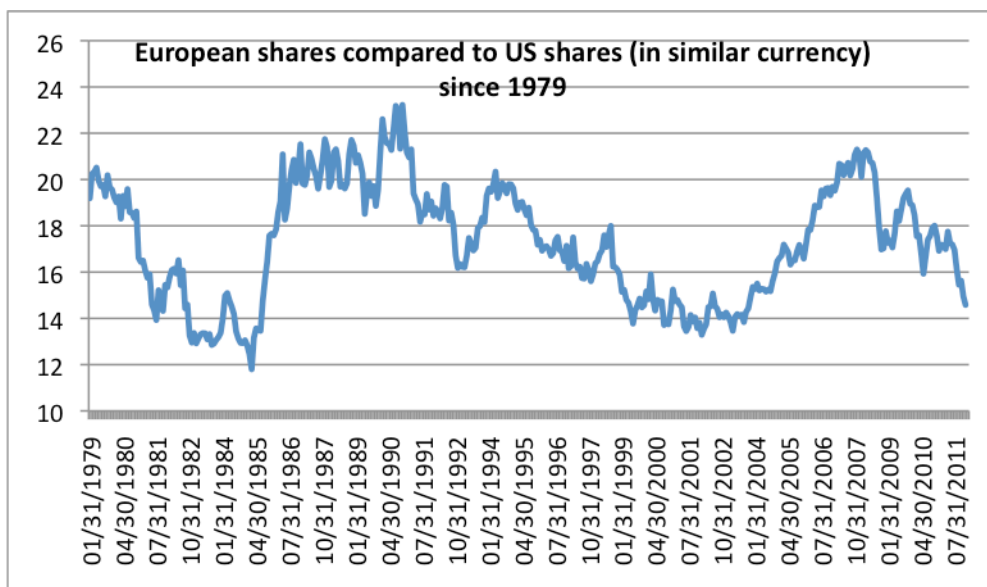
Introduction

My recently published book, 'Bulls, Birdies, Bogeys and Bears, the remarkable and revealing relationship between golf and investment markets' presents the case that the 'pulse' of golf, particularly professional golf, has mirrored the 'pulse' of the stock market over more than a century. Superficially this may seem an obvious relationship, and one to be expected in most sports, the truth is that the roots of the relationship are far from obvious and the relationship is far stronger in golf than any other sport.

None of this helps an investor, except that it gets to the heart of, and neatly illustrates, just what is reflected by, and the driver of, the ebb and flow of markets; aggregate social mood, the collective optimism or pessimism of all investors. It is also clear that it has been aggregate social mood that has been reflected in the swings in fortunes of professional golfers virtually since professional golf began. This still does not help in forecasting where markets are going, however, markets have had an uncanny ability to forecast the results of professional team competitions like the Ryder Cup and the Solheim Cup.

Intuitively it seems to make some sense that whichever country, or regions, stock market is doing better then it is reasonable to assume that social mood is more upbeat in that country and therefore their golfers, if golf reflects social mood, should do better. In the male team competition that has indeed been the case. Whichever sides stock market has been performing the best since the last contest then that team has gone on to win the cup a remarkable 83% of the time with the results frequently at odds with the pre match forecasts of 'experts' and expectations of bookmakers.

The chart below, from BBBB, shows the relative performance of the European market to the US market, in a constant currency, since 1979. If the line is rising then Europe has been performing better and if it falling then the US has been in the ascendancy



The Gender Gap

Chapter four of BBBB is entirely focussed upon women's golf and initially how the relative fortunes of female professionals have compared to their male counter parts. What this study reveals is that women's golf outperforms male golf during times of falling social mood and stock markets and they struggle versus the men during bull markets and rising social mood. This is consistent with findings in the field of socionomics where it has been revealed that women achieve more elected positions during periods of declining social mood and less during bull markets.

BBBB reveals that this curious 'inverse' relationship manifests itself in the female equivalent of the Ryder Cup, the Solheim Cup.

The Solheim Cup has only been played for since 1990 and there have been twelve contests. Of those twelve the winning team on ten occasions (83%) has been representing the side of the Atlantic whose market has been performing the worst. The exact opposite of the relationship found in male professional golf.

The 2013 Solheim Cup begins in ten days and understandably the Americans are very strong favourites. It is being played in America and the US have never lost at home and the US team boasts a host of global stars including the winner last weekend of the most recent major, the British Open, Stacey Lewis.

However, on paper the teams are fairly evenly matched. The average world rankings of both teams are almost the same (32nd for the US and 34th for Europe) and for both teams their top seven players are all in the world's top thirty currently. Perhaps most importantly the markets of either side of the Atlantic are indicating very strongly that Europe should win. Social mood in Europe is clearly more depressed than that in the US. Since the last Solheim Cup two years ago the European markets have risen about 40%, over the same time the US markets have risen more than 50%. On top of this the Euro has weakened a couple of percent versus the dollar.

Two years ago social mood in Europe was much weaker than in the US with fears of a total Eurozone collapse front and centre of many investors' minds and yet the European women prevailed. The vast gulf in social mood between the US and Europe now is not that different from that seen two years ago.

Conclusion

In some ways the situation in the Solheim Cup now is very similar to that in the Ryder Cup in 1987. Then the Europeans were defending the trophy in America and the markets strongly favoured an unlikely first European victory on American soil. The Europeans delivered then and don't be too surprised if their female counterparts pull off a surprise victory in Colorado the weekend after next. With odds of 11-4 against such an outcome it may just be worth an 'investment'.

For anyone interested in a copy of BBBB it can be ordered at the book's website; www.bbbb.co.nz

Kevin Armstrong

6th August 2013