



Did the dead cat bounce?

Why do cats get such a terrible rap? There are countless expressions in the English language that place these animals in a bad light.

If you think you're the cat's whiskers, don't expect people to like you. If you point at what the cat dragged in, it's not anything nice. Being called a fat cat is not a compliment – it's criticism for making a lot of money. And a copycat is basically a thief, stealing someone else's original ideas or work. Insults, all of them.

What's even worse is that several idioms in everyday use are positively cruel to our feline friends.

When a room is very small, you can't swing a cat (I find the thought mildly upsetting). There are many ways to skin a cat ... really? Who would want to skin any cat? And be careful, of course; curiosity killed the cat.

Then there's the clincher from the world of investing, namely a dead cat bounce. Commentators use the term when they describe a brief recovery in the price of a share (or a market) which is in structural decline, pointing out that even a dead cat will bounce a little bit if you drop it from a great enough height. Somebody call the SPCA, please.

In the early 2000s, a handful of investment professionals from the Cape formed a band and started practising in the garage of one of its members. This was not long after the internet bubble had burst, so perhaps it makes sense that they decided to call themselves Dead Cat Bounce.

The band members were all well connected. When they eventually decided to arrange a gig and raise some money for charity, it was therefore not difficult to attract an audience of a few hundred of their closest friends, representing the who's who of the South African financial services industry.

They held a few concerts in Cape Town and Joburg. The performances culminated in a gala event held at Kirstenbosch a couple of years after they first jammed together. It raised several million rand for a variety of good causes. I'm not sure when they stopped playing, but I do recall the sad moment when one of them died of a heart attack in 2007.

Seven, eight, nine?

I was reminded of Dead Cat Bounce when I heard the term being used a few times by market commentators recently. This followed the groundbreaking announcement from DeepSeek – the little-known Chinese company released a new AI model which compared favourably with the best of the major US technology companies. The firm said it had been able to develop it for only \$6m (competitors measure their costs in billions).

The news sent shockwaves through Silicon Valley and Wall Street over the last weekend of January. By the Monday morning, market participants were fearing the worst, and Nasdaq futures were down about 5%. This would finally be the pin to prick the Magnificent 7 bubble, bears and short sellers were shouting from the rooftops.

The market digested the news and came to a few conclusions within hours. First, DeepSeek may have lied to us – who knows what it really spent on its groundbreaking model?

And, even if it was telling the truth, perhaps this was in fact good news for the technology businesses that would ultimately benefit from cost savings in rolling out AI initiatives.

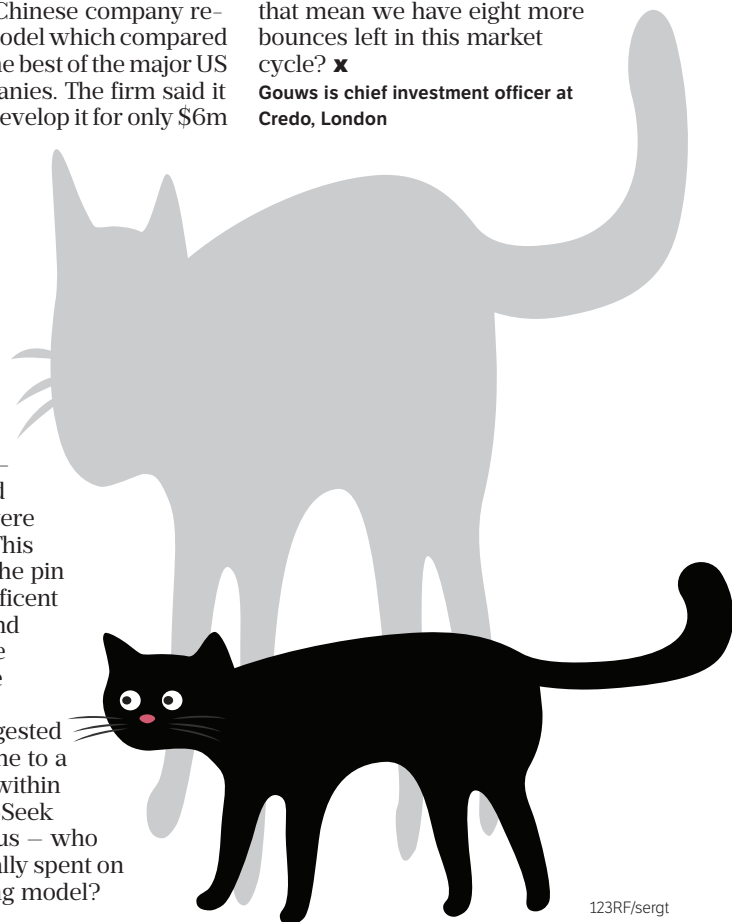
That Monday, shares of three members of the Magnificent 7 – Meta, Amazon and Apple – closed the day up, after some big swings. In the case of Meta, the share ended at a record high. It has gone up another 10% since then.

Was this just a dead cat bounce, as some experts on Wall Street called it? We'll have to wait and see.

They say a cat has nine lives. Similarly, a baseball match consists of nine innings. I recently listened to a podcast in which Dan Ives, the global head of technology research at Wedbush Securities in the US, made the statement that with regard to AI we're still in the first innings. If he's right, several of these shares have a very long way to run.

So, if a cat has nine lives, does that mean we have eight more bounces left in this market cycle? ✕

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