STOCK TRADER'S ALMANAC

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February 2013 Trading & Investment Strategy

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Devised by Yale Hirsch in 1972 our January Barometer (JB) states that as the S&P 500 goes in January, so goes the year. The indicator has registered only seven major errors since 1950 (all within secular bear markets) for an 88.9% accuracy ratio. Vietnam affected 1966 and 1968; 1982 turned out to be the start of the next secular bull market in; two January rate cuts and 9/11 affected 2001; the anticipation of military action in Iraq held down the market in January 2003; 2009 was the beginning of a new bull market following the second worst bear market on record; and the Fed's second round of quantitative easing likely saved 2010.

January 2012 Changes				
	12/31/2012 Close	1/31/2013 Close		
DJIA	13104.14	13860.58	+756.44	+5.8%
S&P 500	1426.19	1498.11	+71.92	+5.0%
NASDAQ	3019.51	3142.13	+122.62	+4.1%

Now that our January Barometer, Santa Claus Rally and First Five Days indicators are all positive, the odds of our good case scenario for 2013 have dramatically improved. Barring any unforeseen events, we expect the market to continue higher over the next 2-4 months and perhaps to marginally new all-time highs for the DJIA and S&P 500 and NASDAQ 3300. Then debt ceiling, spending cut and sequester politicking are likely to exacerbate bearish seasonal and cyclical forces, conspiring to knock this bull market down off its high horse. If a major debacle is avoided in Washington and the geopolitical environment remains sanguine, then 2013 is likely to be bear free.

As a result of our revised outlook and February's tendency to correct or consolidate January's gains, we will be looking to add previously stopped out "Best Six Months "Seasonal Switching strategy ETFs **SPDR S&P 500** (SPY), **PowerShares QQQ** (QQQ), and **iShares Russell 2000** (IWM) to the *Almanac Investor* ETF Portfolio on pullbacks. SPY Buy limit: $147, QQQ Buy Limit: $65.50 and IWM Buy limit: $85.75. These recommendations will appear in the ETF Portfolio in the next ETF Trades alert currently scheduled for February 7th.

February Almanac, Vital Stats & Strategy Calendar

Usually the weak link in the Best Six months, February tends to follow the current trend, though big January gains often correct or consolidate during the month of Valentines and Presidents as Wall Street evaluates and adjusts market outlooks based on January's performance. Since 1950, January S&P 500 gains of 2% or more corrected or consolidated in February 67.9% of the time. In the 19 years that the S&P 500 gained 4% or more in January, 68.4% of the time the S&P declined or finished flat (less than 1% gain) in February.

Since 1950, February is up only slightly more than half the time and, depending on the index, up or down marginally on average. However, small cap stocks, benefiting from "January Effect" carry over; tend to outpace large cap stocks in February. The Russell 2000 index of small cap stocks turns in an average gain of 1.0% in February since 1979—just the seventh best month for that benchmark.

February's post-election year performance since 1950 is miserable, ranking dead last for DJIA, S&P 500, NASDAQ, Russell 1000 and Russell 2000. Average losses have been sizable: -1.6%, -2.0%, -4.4%, -2.2%, and -2.4% respectively. February 2001 and 2009 were exceptionally brutal. NASDAQ has not posted a post-election year February gain since 1985.

After January's typically strong finish, February has opened well for large cap stocks. The first trading day is bullish and it has traded higher in 16 of the past 21 years with an average S&P 500 gain of 0.5%. The Russell 1000 is even stronger, up 18 of the last 21 with an average gain near 0.6%. Strength then tends to fade after that until the stronger eighth, ninth and eleventh trading days. Expiration week has a spotty longer-term record, but this year the week begins early and may benefit from the bullish eighth, ninth, and eleventh days falling within it. However, no index completely escapes typical end-of-month weakness.

Presidents' Day is the lone holiday that exhibits weakness the day before *and* after. (*Stock Trader's Almanac 2013*, page 86). The Friday before this mid-winter three-day break is exceptionally treacherous and average declines persist for three trading days after the holiday going back to 1980.

February (1950-2012)					
	DJI	SP500	NASDAQ	Russell 1K	Russell 2K
Rank	8	11	9	11	7
# Up	36	34	22	20	19
# Down	27	29	20	14	15
Average %	0.04	-0.1	0.5	0.1	1.0
4-Year Presidential Election Cycle Performance by %					
Post-Election	-1.6	-2.0	-4.4	-2.2	-2.4
Mid-Term	0.9	0.5	0.6	1.0	1.6
Pre-Election	1.0	0.8	2.4	1.1	2.1
Election	-0.1	0.1	2.8	0.3	2.5

Best & Worst February by %										
Best	1986	8.8	1986	7.1	2000	19.2	1986	7.2	2000	16.4
Worst	2009	-11.7	2009	-11.0	2001	-22.4	2009	-10.7	2009	-12.3
February Weeks by %										
Best	2/1/08	4.4	2/6/09	5.2	2/4/00	9.2	2/6/09	5.3	2/1/91	6.6
Worst	2/20/09	-6.2	2/20/09	-6.9	2/9/01	-7.1	2/20/09	-6.9	2/20/09	-8.3
February Days by %										
Best	2/24/09	3.3	2/24/09	4.0	2/11/99	4.2	2/24/09	4.1	2/24/09	4.5
Worst	2/10/09	-4.6	2/10/09	-4.9	2/16/01	-5.0	2/10/09	-4.8	2/10/09	-4.7
First Trading Day of Expiration Week: 1990-2012										
#Up-#Down		15-8		17-6		13-10		17-6		15-8
Streak		U1		U3		U3		U3		U3
Avg %		0.3		0.2		0.02		0.2		0.1
Options Expiration Day: 1990-2012										
#Up-#Down		11-12		10-13		8-15		10-13		9-14
Streak		U3		U3		D1		U3		D1
Avg %		-0.2		-0.3		-0.5		-0.3		-0.2
Options Expiration Week: 1990-2012										
#Up-#Down		14-9		12-11		12-11		11-12		14-9
Streak		U3		U3		U3		U3		U3
Avg %		0.3		0.01		-0.2		0.02		0.1
Week After Options Expiration: 1990-2012										
#Up-#Down		8-15		10-13		12-11		10-13		11-12
Streak		U1		U1		U1		U1		D5
Avg %		-0.7		-0.5		-0.5		-0.4		-0.3
February 2013 Bullish Days: Data 1992-2012										
		1, 13, 15		1, 12, 13, 15, 22		1, 4		1, 12, 13, 15, 22		1, 6, 8, 12-14 22, 27
February 2013 Bearish Days: Data 1992-2012										
		20, 25		14, 25		19, 21, 28		14, 19, 25		21

February 2013 Strategy Calendar

FEBRUARY 2013

Sector Seasonalities: Long = (L); Short = (S)

Start: Natural Gas (L)
In Play: Biotech (L), Consumer (L), Banking (L), Broker/Dealer (L), Cyclical (L), Materials (L), Real Estate (L), Transports (L), Oil (L), Computer Tech (S)
Finish: Internet (S), Healthcare Products (L)

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SAT	SUN
*Tuesdays: Wkly Chain Store Sales & Avg Hourly Earnings *Wednesdays: Oil & Gas Inventories *Thursdays: Weekly Unemployment Report, Weekly Mutual Fund Flows & Weekly Natural Gas Storage Report *Fridays: Weekly Leading Economic Index *Except holidays			**1st Trading Day Dow & S&P Up 9 of Last 10, NASDAQ 8 in a Row**	1 Construction Spending ECRI Future Inflation Index Employment Rate ISM Index U Mich Consumer Sentiment Vehicle Sales	2	3
4 **Week Before Expiration Week, NASDAQ Down 9 of Last 12, 2010 +2.0%, 2011 Up 1.5%** Factory Orders Semiconductor Billings	5 **Average February Gains Last 21 Years:** **Dow: –0.1% Up 13 Down 8 Rank #9** ISM Non-Mfg. Index	6 **S&P: –0.5% Up 12 Down 9 Rank #11**	7 **NAS: –0.7% Up 9 Down 12 Rank #12** Chain Store Sales Consumer Debt Productivity and Costs	8 Int'l Trade Deficit Wholesale Trade	9	10
11 **First Trading Day Of Expiration Week, Dow Down 5 of Last 8**	12 Treasury Budget	13 **Ash Wednesday** **Expiration Day, Dow Down 7 of Last 13** **Day Before Presidents' Day Weekend, S&P Down 16 of Last 21** Business Inventories Import/Export Prices Retail Sales	14 **Valentine's Day**	15 Industrial Production U Mich Consumer Sentiment	16	17
18 **Presidents' Day (Market Closed)**	19 **Day After Presidents' Day, S&P Down 7 of Last 12** NAHB Housing Mrkt Index	20 **Week After Expiration Week, Dow Down 10 of Last 14** Housing Starts FOMC Minutes PPI	21 CPI Existing Home Sales Leading Indicators Philadelphia Fed Survey SEMI Book to Bill Ratio	22	23	24
25 **End of February Miserable in Recent Years (Page 20 & 133 STA 2013)**	26 Consumer Confidence New Home Sales	27 Durable Goods	28 Agricultural Prices GDP - Q4 Revised ISM-Chicago			

Economic release dates obtained from sources believed to be reliable. All dates subject to change.

Bull symbol signifies a favorable day based on the S&P 500 Rising 60% or more of the time on a particular trading day 1992-2012

Bear symbol signifies an unfavorable day based on the S&P 500 Falling 60% or more of the time on a particular trading day 1992-2012

Selected January 2013 Articles

Big January Indicates Good Case 2013 Forecast But Stocks Likely To Stall Near DJIA & S&P 2007 Highs

By Jeffrey A. Hirsch

Barring some unforeseen events over the next two days, the stock market will log some impressive monthly gains. At about 5.6% for the month intraday January 2013 would rank as the 16th best percentage monthly gain for the S&P 500 since 1930. In addition, should these gains hold, it will be the 13th time since 1950 that S&P has been up three Januarys in a row.

However, at the outset of this month the odds of January posting gains for a third year in a row were about the same as the odds the New England Patriots were getting on the Friday before the AFC Championship game – and we all know how that turned out. The betting line was 6 to 5 that the Patriots would win the Super Bowl before they had made it past the Ravens. The bookies were so sure the Pats would win it; they were only paying 20 cents on the dollar. The point is that just because S&P 500 is up 5.6% so far this month; it is not out of the realm of possibility for those gains to be wiped out over the next two days.

Since 1950, of the 22 previous times that January was up two years in a row, it was up a third year 12 times, or 54.5% of the time (or 5.45 to 5 odds). This includes the two runs of five January gains in a row (1963-67 and 1985-89) and the seven in a row from 1993-1999. Full year gains followed in all but one of the 12 occurrences with the sole loss in 1989. Full years averaged gains of 10.8% in these 12 years with the arithmetic mean at 2.1%.

But by my personal handicapping, the real odds are that January 2013 will be positive for the S&P 500 – and that is an encouraging sign.

With the fiscal cliff hanging last month, we laid out three scenarios for our 2013 Annual Forecast:

"The good case scenario would push the DJIA and S&P 500 up 5-10%, perhaps to marginally new all-time highs. Our base case scenario is a predominately flat year, where the broad averages end the year in the range of plus or minus 5% with a mid-year correction during the May-October timeframe. The bad case scenario is that whatever comes out of the fiscal cliff battle is a net drain on the economy and the situations overseas deteriorate, igniting the next bear market the drives the market down 20-30% over the next year or two."

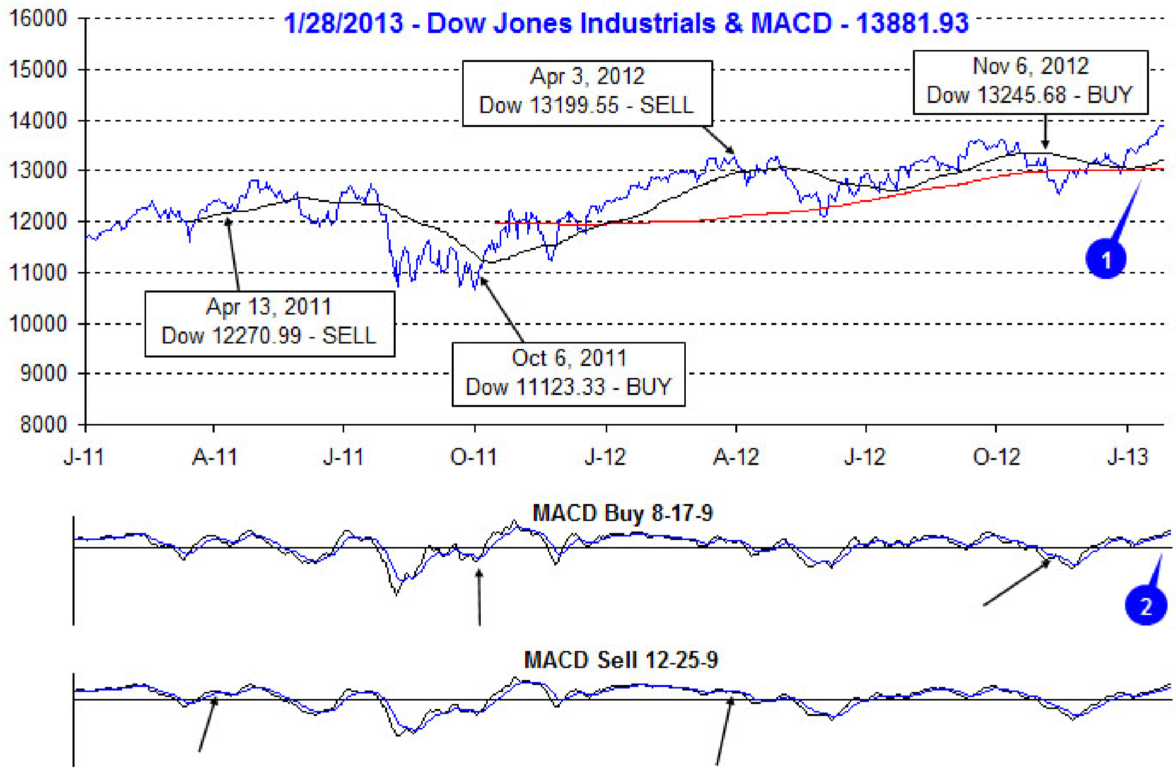
Now that our January Barometer, Santa Claus Rally and First Five Days indicators are all about to be positive, the odds of our good case scenario have dramatically improved. Like this year, the major stock market averages broke above monthly pivot point resistance in January 2012, consolidated the gains for a week or two, then marched higher before beginning to peter out at the end of March.

Again, barring any unforeseen events, we now expect market to continue higher over the next 2-4 months and perhaps to marginally new all-time highs for the DJIA and S&P 500 and NASDAQ 3300. Then debt ceiling, spending cut and sequester politicking are likely to exacerbate bearish seasonal and cyclical forces, conspiring to knock this bull market down off its high horse. If a debacle is avoided in Washington and global economics remain resilient then we may skirt Ursa Major for another year.

Pulse of the Market

As December ground to close typical yearend strength was notably absent. But, a last minute deal on taxes and the delay of automatic spending cuts sent the market soaring on the first day of 2013. Prior to the deal, DJIA was on the verge of triggering a "death" cross. Its 50-day moving average (1) had fallen to within just 60 points of its 200-day moving average. Although it is not even a month later, this possibility now appears ancient history as DJIA is enjoying it best January since 1989, up better than 6%. Both moving averages are now bullishly trending higher.

Also bullish, both the slower and faster MACD indicators (2) continue to trend higher, but are now well above the zero line where the most reliable sell confirmation signals are normally generated. However, with the Fed buying $85 billion worth of mortgage-backed securities and treasury bonds monthly (with no end in sight) and economic data improving, any weakness is likely to be brief and mild.



On Christmas Eve day, DJIA recorded its eleventh and final Down Friday/Down Monday (DF/DM) (3) of 2012. This warning was followed by three consecutive daily market losses that threatened to derail the Santa Claus Rally. These losses were subsequently quickly reversed and the DF/DM turned out to mark a key market turning point as noted on page 78 of *Stock Trader's Almanac 2013*.

This year, New Year's festivities were not limited to just one day as DJIA, S&P 500 (4), and NASDAQ (5) went on to "rock in" the year with their best weekly gains since October 2011. The pace of the advance has moderated since, but the trend is clearly positive.

During the week ending January 4th, Weekly NYSE Advancers (6) outnumbered Weekly NYSE Decliners by a staggering 16 to 1. This is the greatest margin since we began producing the Pulse of the Market in 2001 and the since at least 1981. During that week a blindly selected basket of NYSE stocks would most likely have led to decent profits. Since then, the ratio has returned to normal.

New 52-Week Highs (7) also steadily expanded as the NYSE has broken out to new recovery highs along other major indices (or in a few cases new highs). Thus far, only NASDAQ has not bested it previous high from September 2012. Its colossal fail falls squarely on the miserable performance of Apple since then. Throughout the New Year rally, Weekly CBOE Put/Call ratio (8) has remained essentially neutral, suggesting that there is sufficient skepticism surrounding the rally to keep it alive.

Click for larger graphic…

Pulse of the Market

Week End	DJIA	Net Change Week	Net Change On Fri**	Net Change Next Mon*	S&P 500	% Change Week	NASDAQ	% Change Week	NYSE Adv	NYSE Decl	NYSE New Highs	NYSE New Lows	CBOE Put/Call Ratio	90-Day Treas. Rate	Moody's AAA Rate
14-Sep-12	13593.37	+ 286.73	+ 53.51	– 40.27	1465.77	1.9%	3183.95	1.5%	2317	837	722	36	0.56	0.10	3.55
21-Sep-12	13579.47	– 13.90	**– 17.46**	**– 20.55**	1460.15	– 0.4%	3179.96	– 0.1%	1371	1768	505	32	0.64	0.11	3.55
28-Sep-12	13437.13	– 142.34	– 48.84	+ 77.98	1440.67	– 1.3%	3116.23	– 2.0%	1080	2083	426	38	0.69	0.10	3.40
5-Oct-12	13610.15	+ 173.02	+ 34.79	– 26.50	1460.93	1.4%	3136.19	0.6%	2167	1000	549	51	0.63	0.10	3.44
12-Oct-12	13328.85	– 281.30	+ 2.46	+ 95.38	1428.59	– 2.2%	3044.11	– 2.9%	884	2268	294	71	0.68	0.10	3.44
19-Oct-12	13343.51	+ 14.66	– 205.43	+ 2.38	1433.19	0.3%	3005.62	– 1.3%	1864	1288	468	70	0.68	0.10	3.50
26-Oct-12	13107.21	– 236.30	+ 3.53	– 10.75	1411.94	– 1.5%	2987.95	– 0.6%	1151	1998	231	113	0.75	0.11	3.50
2-Nov-12	13093.16	– 14.05	– 139.46	+ 19.28	1414.20	0.2%	2982.13	– 0.2%	1919	1222	318	87	0.68	0.11	3.44
9-Nov-12	12815.39	– 277.77	+ 4.07	– 0.31	1379.85	– 2.4%	2904.87	– 2.6%	876	2294	275	186	0.73	0.10	3.42
16-Nov-12	12588.31	– 227.08	+ 45.93	+ 207.65	1359.88	– 1.4%	2853.13	– 1.8%	671	2512	133	392	0.77	0.09	3.46
23-Nov-12	13009.68	+ 421.37	+ 172.79	– 42.31	1409.15	3.6%	2966.85	4.0%	2804	362	183	77	0.60	0.09	3.58
30-Nov-12	13025.58	+ 15.90	+ 3.76	– 59.98	1416.18	0.5%	3010.24	1.5%	1973	1193	289	59	0.63	0.09	3.56
7-Dec-12	13155.13	+ 129.55	+ 81.09	+ 14.75	1418.07	0.1%	2978.04	– 1.1%	1499	1641	267	64	0.65	0.10	3.57
14-Dec-12	13135.01	– 20.12	– 35.71	+ 100.38	1413.58	– 0.3%	2971.33	– 0.2%	1390	1762	264	85	0.63	0.07	3.65
21-Dec-12	13190.84	+ 55.83	**– 120.88**	**– 51.76**	1430.15	1.2%	3021.01	1.7%	2127	1040	349	75	0.62	0.06	3.73
28-Dec-12	12938.11	– 252.73	– 158.20	+ 166.03	1402.43	– 1.9%	2960.31	– 2.0%	778	2373	152	73	0.68	0.06	3.65
4-Jan-13	13435.21	+ 497.10	+ 43.85	– 50.92	1466.47	4.6%	3101.66	4.8%	3011	188	589	41	0.58	0.07	3.77
11-Jan-13	13488.43	+ 53.22	+ 17.21	+ 18.89	1472.05	0.4%	3125.63	0.8%	1937	1208	578	16	0.67	0.07	3.77
18-Jan-13	13649.00	+ 160.57	+ 53.68	+ 62.51	1485.98	0.9%	3134.71	0.3%	2197	968	660	18	0.61	0.08	3.76
25-Jan-13	13895.98	+ 246.98	+ 70.65	– 14.05	1502.96	1.1%	3149.71	0.5%	2181	957	794	32	0.66	0.08	3.78

Bold Red = Down Friday, Down Monday

** On Monday holidays, the following Tuesday is included in the Monday figure*

*** On Friday holidays, the preceding Thursday is included in the Friday figure*

Market at a Glance

By Christopher Mistal

Market at a Glance

1/28/2013: Dow 13881.93 | S&P 1500.18 | NASDAQ 3154.30 | Russell 2K 906.71 | NYSE 8880.02 | Value Line Arith 3389.36

Psychological: *Little changed.* Weekly CBOE Put/Call ratio has remained essentially neutral over the past ten weeks in a narrow range after peaking at 0.77 in mid-November. *[Investor Intelligence]* reported no change in the number of bullish, bearish, or correction advisors in last week's Sentiment Survey. The bull/bear spread sits just a tick over 30% which is near the levels reached at the late-March and mid-September 2012 market tops. Bullish sentiment is certainly high and warrants a cautious approach, but it has not yet reached the excessively high readings that frequently precede a major bull-market top.

Fundamental: *Mixed.* On the positive side of the ledger, housing and labor markets are far better off now than one year ago, fourth quarter corporate earnings have also been mostly better than expected, Congress reached a deal to stave off massive tax increases and did manage to kick the debt ceiling/spending cut debate can down the road. But on the negative side, housing and labor markets are still far from ideal, growth forecasts remain tepid, oil is heading back to $100/ barrel and Congress has only kicked the can leaving major issues and concerns unresolved. Presently, the market appears focused only on the positives while ignoring some of the negatives that could have significant and lasting effects on the U.S. economy.

Technical: *Stretched.* After blasting through resistance at their old September 2012 highs, DJIA and S&P 500 have barely paused. NASDAQ continues to struggle with Apple's poor performance and has yet to break out to a new 52-week high, but has still participated in the rally. As a result of the buying frenzy; stochastic, relative strength, and MACD indicators are all signaling an overbought market. This does not guarantee the demise of the rally; it only suggests that as DJIA and S&P 500 climb toward their previous all-time highs that further gains could be arduous.

Monetary: *0-0.25%.* The Fed's first meeting of the year began today and will finish tomorrow. No changes to existing monetary policy are expected. Inflation is still less than the Fed's target and the unemployment rate is still above 6.5%. Policy effectiveness and its consequences are sure to be hotly debated, but frankly the ultimate outcome is still just an educated "guess". In the meantime, the Fed's actions do appear to be steering the U.S economy towards full employment and stable inflation, its dual mandate.

Seasonal: *Bullish.* Santa delivered a rally and the First Five Days were solid. Our full-month, January Barometer is poised to be positive, further improving the odds for a positive 2013. Barring some disastrous event, January is likely to finish with its best S&P 500 gain since 1997. However, February is the weak link of the Best Six Months with average gains since 1950 of DJIA 0.04%, S&P 500 –0.1%, and NASDAQ 0.5% (since 1971).

Up 88.9% of the Time Next Eleven Months

By Christopher Mistal & Jeffrey A. Hirsch

With just five full trading days left in January and the S&P 500 already up 4.8% through yesterday's close, odds certainly do seem to favor a positive reading from our flagship indicator, the January Barometer (STA 2013, pages 16 & 18). At this stage it would take a rather gruesome end-of-January to fully erase these S&P 500 gains. The odds of this do seem quite thin, but after bearing witness to Apple's tragic trading today, it cannot be completely ruled out. However, this long shot is not the focus of today.

Last week on our blog a quick look at the historical performance of the S&P 500, when the Santa Claus Rally (SCR), First Five Days (FFD), and January

Barometer (JB) were all positive, was presented. Digging deeper into the data further confirms just how bullish it has been when all three indicators are positive. Since 1950, all three indicators have been positive 27 times and full-year gains followed 25 times. Losses occurred in 1966 (Vietnam) and just barely in 2011 (U.S. debt ceiling and European debt). Excluding January's performance, the last eleven months of these years were up 24 times. The market's crash in 1987 is the additional blemish on the record. Eleven-month average gains are still impressive at 12.3%.

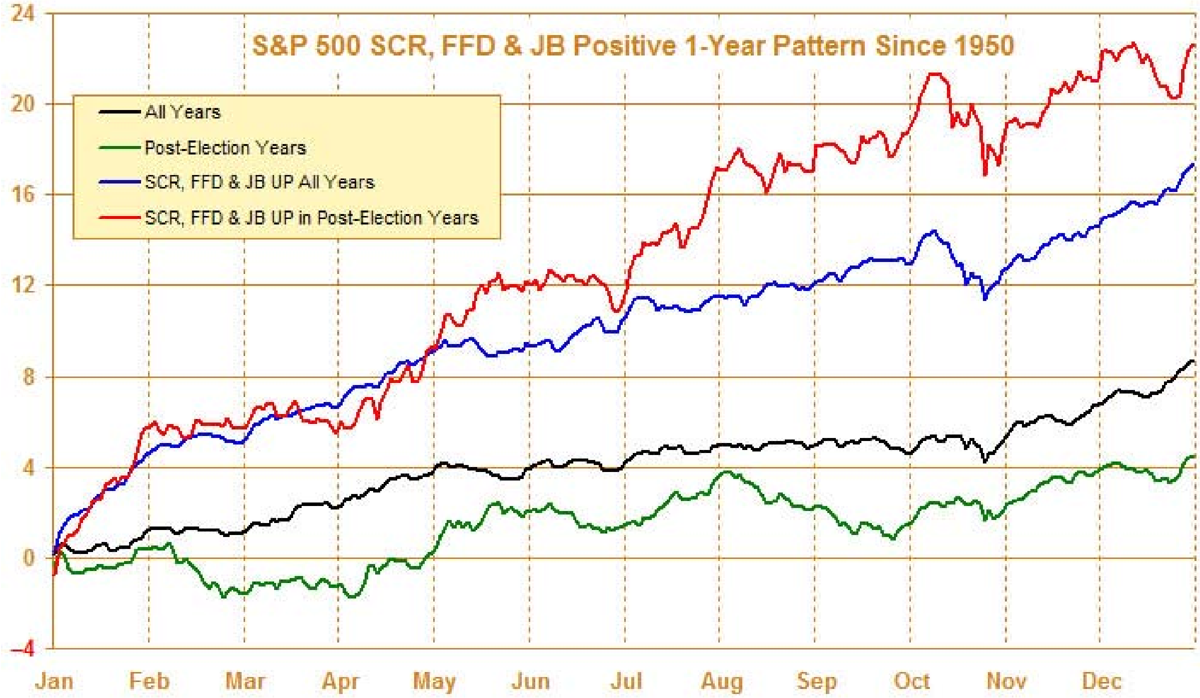
S&P 500 Three Positive Early Indicators

New Year	SCR Rally	FFD	JB	Feb	Last 11 Mon	Full Year
1950	1.3%	2.0%	1.7%	1.0%	19.7%	21.8%
1951	3.1%	2.3%	6.1%	0.6%	9.7%	16.5%
1952	1.4%	0.6%	1.6%	−3.6%	10.1%	11.8%
1954	1.7%	0.5%	5.1%	0.3%	38.0%	45.0%
1958	3.5%	2.5%	4.3%	−2.1%	32.4%	38.1%
1959	3.6%	0.3%	0.4%	−0.02%	8.1%	8.5%
1961	1.7%	1.2%	6.3%	2.7%	15.8%	23.1%
1963	1.7%	2.6%	4.9%	−2.9%	13.3%	18.9%
1964	2.3%	1.3%	2.7%	1.0%	10.0%	13.0%
1965	0.6%	0.7%	3.3%	−0.1%	5.6%	9.1%
1966	0.1%	0.8%	0.5%	−1.8%	−13.5%	−13.1%
1971	1.9%	0.04%	4.0%	0.9%	6.5%	10.8%
1972	1.3%	1.4%	1.8%	2.5%	13.6%	15.6%
1975	7.2%	2.2%	12.3%	6.0%	17.2%	31.5%
1976	4.3%	4.9%	11.8%	−1.1%	6.5%	19.1%
1979	3.3%	2.8%	4.0%	−3.7%	8.0%	12.3%
1983	1.2%	3.2%	3.3%	1.9%	13.5%	17.3%
1987	2.4%	6.2%	13.2%	3.7%	−9.9%	2.0%
1989	0.9%	1.2%	7.1%	−2.9%	18.8%	27.3%
1995	0.2%	0.3%	2.4%	3.6%	30.9%	34.1%
1996	1.8%	0.4%	3.3%	0.7%	16.5%	20.3%
1997	0.1%	1.0%	6.1%	0.6%	23.4%	31.0%
1999	1.3%	3.7%	4.1%	−3.2%	14.8%	19.5%
2004	2.4%	1.8%	1.7%	1.2%	7.1%	9.0%
2006	0.4%	3.4%	2.5%	0.05%	10.8%	13.6%
2011	1.1%	1.1%	2.3%	3.2%	−2.2%	−0.003%
2012	1.9%	1.8%	4.2%	4.1%	8.7%	13.4%
*2013**	*2.0%*	*2.2%*	*4.8%*	—	—	—
			Average:	**0.5%**	**12.3%**	**17.4%**

** As of Close on January 23, 2013*

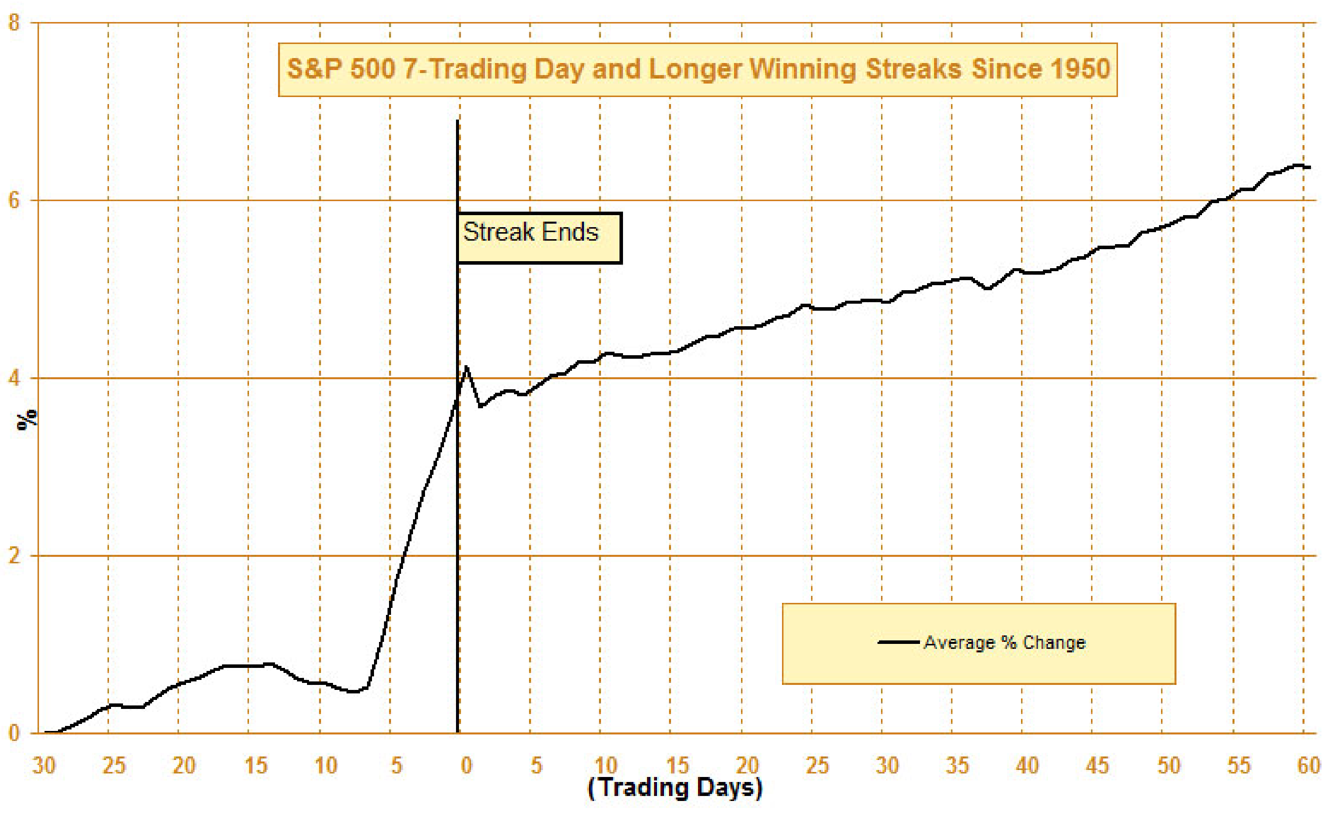
When these trifecta years are broken out by four-year-presidential-election-year membership the results align nearly perfectly with the markets performance over the 4-year election cycle with the most trifecta years occurring in pre-election and election years and the fewest in post- and mid-term years. Should the S&P 500 stay on course for the rest of January, 2013 will be just the fifth post-election year (years shaded in table) with all three indicators positive.

This next chart is the 1-Year Seasonal pattern of the S&P 500 when the SCR, FFD, and JB were all positive since 1950. All years have been plotted as a baseline along with the 15 post-election years. It becomes amazing clear just how bullish the trifecta has been historically. But, let's not get too wrapped up in the expectation for another 20-plus percent year in just the third week of 2013. After all, there is still plenty of time for something to go wrong as it has the past three times. Official January Barometer results will be emailed after the close on January 31st.



S&P 500 Seven-Day Winning Streak

Today's fractional gain has kept the S&P 500's winning streak alive and well at seven days. Somewhat in harmony with other headlines of today that harken back to the last time the S&P 500 and DJIA were making new all-time highs, this is the first such streak since October 2006. A streak of this duration is not as rare as this implies. There have been a total of 112 winning streaks that lasted at least seven trading days since 1950. In fact, there were three 7-day streaks in 2005 alone. This streak is more indicative of low volatility than anything. Eventually this streak, like all those in the past, will end and volatility will rise. Plotting the average S&P 500 performance the 30 days before and 90 days after the streak ends suggests the streak's demise will not be that terrible.

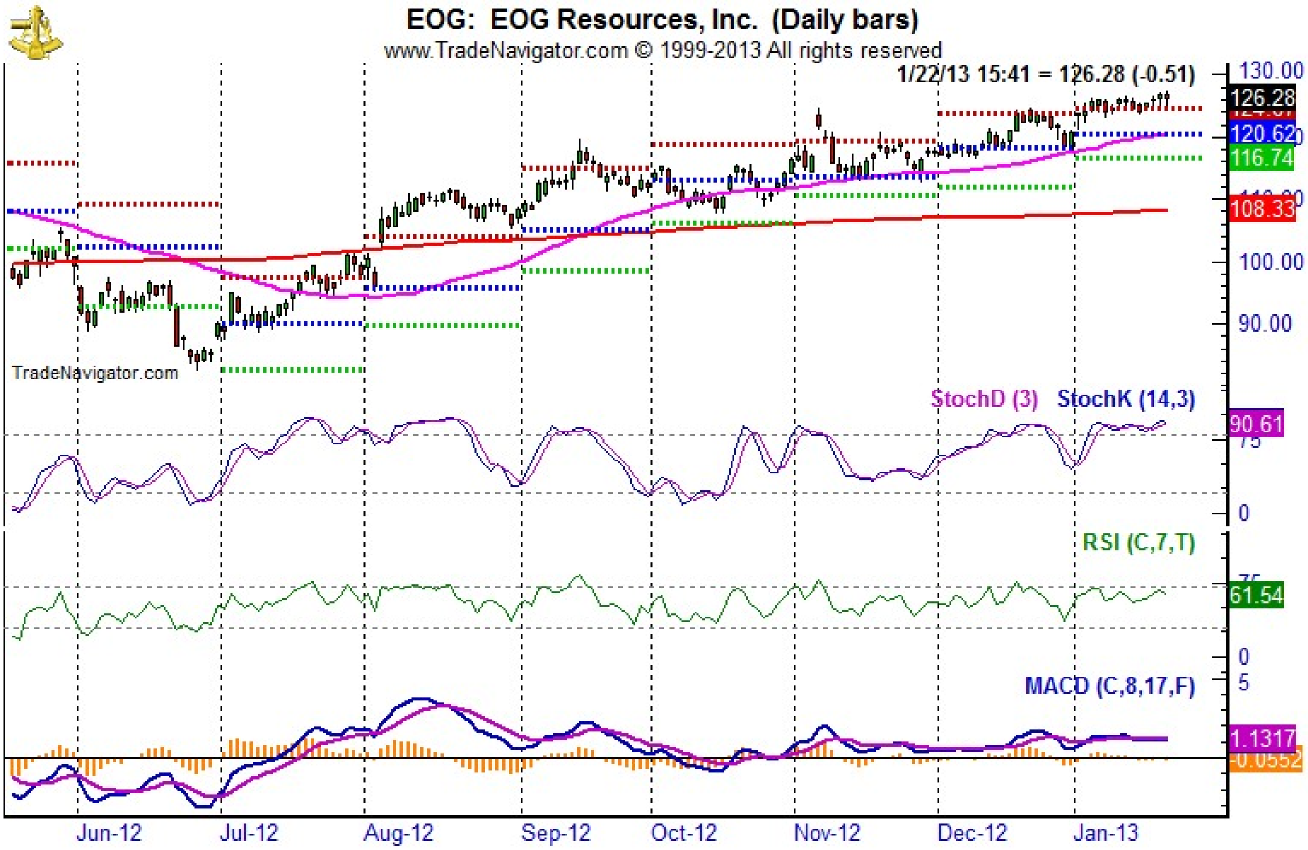


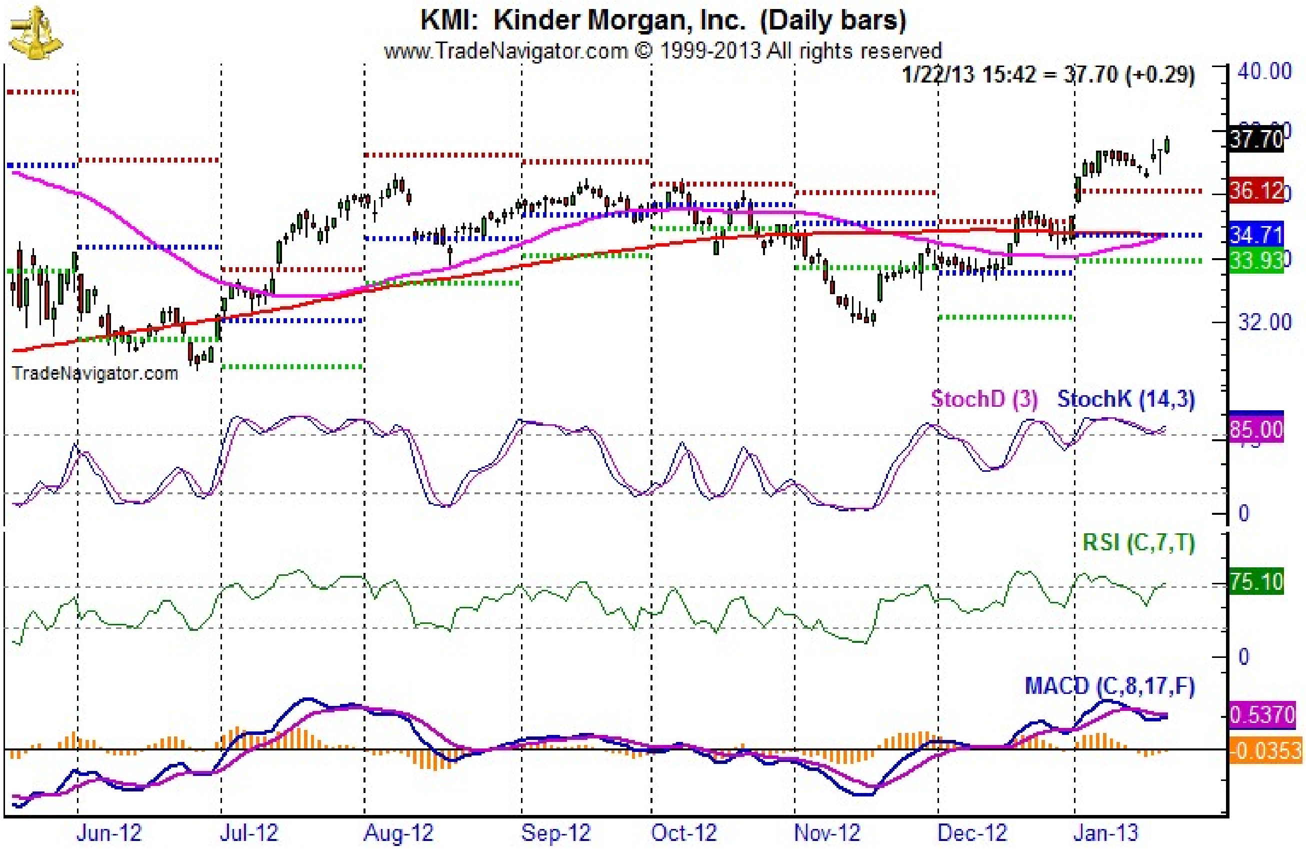
Combining Sector Seasonality and Magnet® Stock Selection Process Yields Three New Trades

By Christopher Mistal

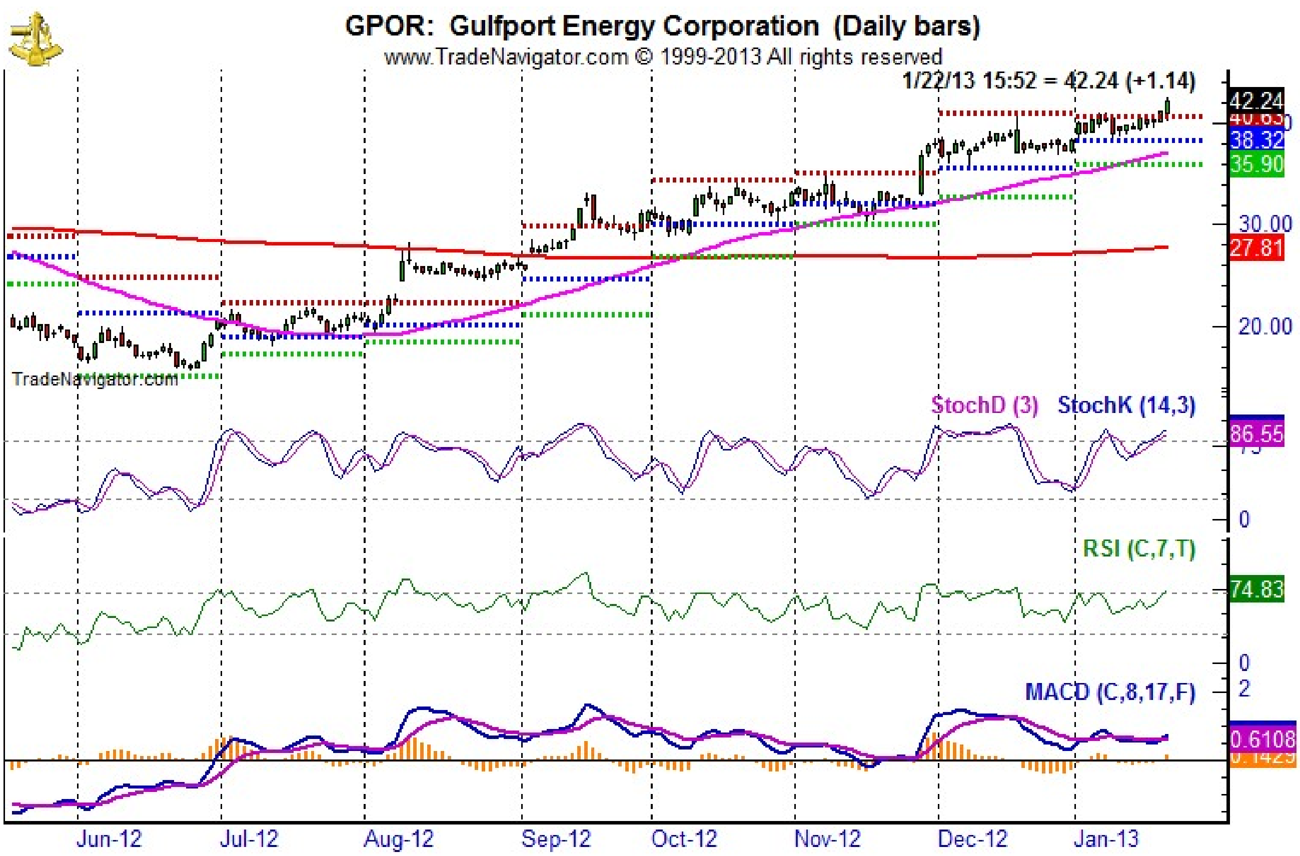
Using our colleague Jordan Kimmel's Magnet® Stock Selection Process last month resulted in the unearthing of three solid trades. Drawing upon last month's success and upcoming [seasonal strength in the natural gas sector]() we were able to identify three more stocks for the portfolios this month. Given this sector's recent poor track record finding suitable candidates proved challenging, but one mid-cap and two large-cap companies did make the grade.

EOG Resources (EOG) and **Kinder Morgan** (KMI) are two widely known players in the natural gas sector that scored 327 and 244 respectively when run through the paces of Magnet. Alright these are not outright impressive scores; they are actually quite good for their market valuations as larger, mature companies tend to grow more slowly. EOG traded at a new 52-week high today while KMI is currently trading about 10% below its 52-week high. Both have broken through projected monthly resistance (red dashed line) and appear well positioned to continue higher especially if seasonal strength in natural gas does materialize this year. **EOG Buy Limit 124.50. KMI Buy Limit 36.50.**





The third recommendation for today is **Gulfport Energy** (GPOR). Although this stock does not score well at -210, momentum is clearly on its side as it also traded at a new 52-week high today on improving volume. GPOR's Utica Shale assets are the most likely source of the buzz. New production technologies continue to turn once economically unfeasible resources into virtual ATM's for companies like GPOR. **GPOR Buy Limit 40.50.**



Small-, Mid- & Large-Cap Portfolio Updates

Since last month, the Small- and Mid-Cap Stock Portfolios have performed the best with average gains of 4.5% and 6.4% over the past five weeks respectively. Within the Small-Cap Portfolio, **8x8 Inc** (EGHT) and **Security National Financial** (SNFCA) saw sizable inflows that resulted in both stocks trading at more than double their original recommendation prices. In accordance with standard trading guidelines, half of the initial position in EGHT and SNFCA was sold. SNFCA will also be paying out its annual stock dividend on February 1 for shareholders of record on January 11th.

In accordance with last month's recommendations, FUN, ROSE, and FLY were all closed out of their respective portfolios on the close on December 13th. All three stocks have improved since then in concert with broader market strength, but their overall Magnet scores have not and should be closed out if not already done so.

Our three new recommendations from December, SNTS, LGF, and KORS have all been added to the respective portfolios. All three positions were added on breakouts and have continued to advance. These three positions are up an average 12.4% and are currently on hold. Aside from today's three new recommendations, all other positions held in the three portfolios are also on hold. Market sentiment and technical indicators are at or near dangerous, excessively bullish levels that suggest the market could be ripe for a pullback or at a bare minimum a pause.

Click to view full-size in a new window…

Almanac Investor Small-Cap Stock Portfolio

Ticker	Company	Magnet Score	Recommended Date	Recommended Price	1/18/2013 Price	1/18/2013 Value ***	Net % Return ***	Buy Limit [1]	Stop Loss [1]	Current Advice [1]
ACCL	Accelrys [2]	211	5/13/09	4.50	9.44	$1,048.89	104.9%			Hold
NXT.V	Natcore Technology **, *	N/A	4/13/10	0.71	0.85	$4,819.96	20.5%			Hold
SYPR	Sypris Solutions	133	11/11/10	4.00	3.79	$1,895.00	-5.3%			Hold
CAMP	CalAmp [2]	633	12/16/10	2.75	8.41	$3,058.18	152.9%			Hold
WRLS	Telular	398	12/16/10	7.89	10.99	$2,785.80	39.3%			Hold
AGYS	Agilysys	276	10/20/11	7.39	8.41	$2,276.05	13.8%		7.50	Hold
CRY	CryoLife	256	10/20/11	4.37	6.43	$2,942.79	47.1%		5.00	Hold
EGHT	8x8 Inc. [2]	168	10/20/11	3.52	7.80	$2,215.91	110.8%		5.00	Hold, Sold Half 12/17 @ 7.04
AGX	Argan Inc	623	10/18/12	17.26	18.98	$1,099.65	10.0%		14.80	**Hold**
ATTU	Attunity Ltd	788	10/18/12	7.66	8.06	$1,052.22	5.2%		6.29	Hold
BRD	Brigus Gold Cp	670	10/18/12	1.00	0.95	$950.00	-5.0%		0.74	Hold
FLY	Fly Leasing Ltd	345	10/18/12	13.88	13.15	Closed	-13.1%			Sold 12/13 @ 12.06
NEWT	Newtek Bus Svcs	719	10/18/12	2.02	2.00	$990.10	-1.0%		1.56	Hold
PPP	Primero Mining	423	10/18/12	7.24	6.42	$886.74	-11.3%		6.00	Hold
RGEN	Repligen	708	10/18/12	5.56	6.83	$1,228.42	22.8%		5.33	Hold
SNFCA	Sec Natl Finl A [2], *	694	10/18/12	5.39	11.10	$1,081.17	108.1%		8.66	Hold, Sold Half 12/19 @ 10.78
SNTS	Santarus	743	12/13/12	10.40	12.58	$1,209.62	21.0%		9.81	Hold, Added 12/14 @ 10.40

Cash From Half & Closed Positions **$29,297.75**
Total Portfolio Value **$58,838.25**
Open Position Average % Return **39.6%**
% Change from 12/12/12 **4.5%**
% Change 1-Year **N/A**
Portfolio % Gain Since 10/18/2012 **0.2%**

Almanac Investor Mid-Cap Stock Portfolio

Ticker	Company	Magnet Score	Recommended Date	Recommended Price	1/18/2013 Price	1/18/2013 Value ***	Net % Return ***	Buy Limit [1]	Stop Loss [1]	Current Advice [1]
CAR	Avis Budget Grp	418	10/18/12	17.40	21.31	$1,224.71	22.5%		17.69	Hold
CLMT	Calumet Speclty	583	10/18/12	31.72	32.36	$1,020.18	2.0%		26.86	Hold
FUN	Cedar Fair	298	10/18/12	35.71	36.92	Closed	-7.1%			Sold 12/13 @ 33.17
CVI	Cvr Energy Inc	733	10/18/12	38.54	49.99	$1,297.09	29.7%		41.49	Hold
DK	Delek Us Hldgs	364	10/18/12	25.77	31.30	$1,214.59	21.5%		25.98	Hold
ICA	Empresas Ica	103	10/18/12	8.97	11.32	$1,261.98	26.2%		9.40	Hold
KALU	Kaiser Aluminum	394	10/18/12	58.95	62.64	$1,062.60	6.3%		51.99	Hold
LL	Lumber Liquidat	398	10/18/12	51.28	56.08	$1,093.60	9.4%		46.55	Hold
PMT	Pennymac Mortge	360	10/18/12	25.23	28.27	$1,120.49	12.0%		23.46	Hold
ROSE	Rosetta Resrcs	365	10/18/12	48.37	49.78	Closed	-13.3%			Sold 12/13 @ 41.94
SXL	Sunoco Logistic	428	10/18/12	49.79	56.19	$1,128.54	12.9%		46.64	Hold
LGF	Lions Gate Entertainment	803	12/13/12	16.00	18.14	$1,133.75	13.4%		15.06	Hold, Added 12/31 @ 16.00
GPOR	Gulfport Energy	-210	1/22/13	40.50	41.10	New		40.50		Buy

Cash From Half & Closed Positions **$7,845.33**
Total Portfolio Value **$19,402.87**
Open Position Average % Return **11.3%**
% Change from 12/12/12 **6.4%**
% Change 1-Year **N/A**
Portfolio % Gain Since 10/18/2012 **2.1%**

Almanac Investor Large-Cap Stock Portfolio

Ticker	Company	Magnet Score	Recommended Date	Recommended Price	1/18/2013 Price	1/18/2013 Value ***	Net % Return ***	Buy Limit [1]	Stop Loss [1]	Current Advice [1]
ALL	Allstate Corp	289	10/18/12	42.62	43.21	$1,013.84	1.4%		38.02	Hold
HFC	Hollyfrontier	284	10/18/12	38.53	44.26	$1,148.72	14.9%		38.95	Hold
LEN	Lennar Corp -A	468	10/18/12	38.68	42.08	$1,087.90	8.8%		37.03	Hold
PWR	Quanta Services	338	10/18/12	24.14	28.84	$1,194.70	19.5%		25.38	Hold
SQM	Soc Quimica Min	231	10/18/12	58.99	58.56	$992.71	-0.7%		51.53	Hold
TSO	Tesoro Corp	141	10/18/12	38.57	42.49	$1,101.63	10.2%		37.39	Hold
UOVEY	Utd Overseas Bk	373	10/18/12	30.57	30.70	$1,004.25	0.4%		27.02	Hold
KORS	Michael Kors Holdings	503	12/13/12	53.00	54.48	$1,027.92	2.8%		47.94	Hold, Added 12/18 @ 53.00
EOG	EOG Resources	327	1/22/13	124.50	126.79	New		124.50		Buy
KMI	Kinder Morgan	244	1/22/13	36.50	37.41	New		36.50		Buy

Cash From Half & Closed Positions **$2,593.50**
Total Portfolio Value **$11,165.18**
Open Position Average % Return **7.1%**
% Change from 12/12/12 **2.2%**
% Change 1-Year **N/A**
Portfolio % Gain Since 10/18/2012 **1.5%**

Almanac Investor Stock Portfolios Since Inception — July 2001 Through January 18, 2013

Cash From Half & Closed Positions **$39,736.58**
Total Portfolio Value **$89,406.29**
Open Position Average % Return **24.9%**
% Change from 12/12/12 **4.6%**
% Change 1-Year **7.2%**
Portfolio % Gain Since Inception - July 2001 **306.4%**

[1] STANDARD POLICY: SELL HALF ON A DOUBLE, Buy Limits good til cancel, Stop only if closed below Stop Loss
*[2] Half position * Adjusted ** Canadian Dollars*
**** Based on $1000 or $2000 initial investment in each stock, Net % Return includes half & closed positions, Value is open position value*

Disclosure Note: At press time, officers of the Hirsch Organization held a position in NXT. Magnet® is a registered trademark of Jordan Kimmel.

Not Perfect, But Undeniable January Barometer Track Record Warrants Respect

By Jeffrey A. Hirsch

Devised by Yale Hirsch in 1972, the January Barometer has registered only seven major errors since 1950 for an 88.9% accuracy ratio. This indicator adheres to propensity that as the S&P 500 goes in January, so goes the year. Of the seven major errors Vietnam affected 1966 and 1968. 1982 saw the start of a major bull market in August. Two January rate cuts and 9/11 affected 2001.The market in January 2003 was held down by the anticipation of military action in Iraq. The second worst bear market since 1900 ended in March of 2009 and Federal Reserve intervention influenced 2010. Including the eight flat years yields a .762 batting average.

I find it quite interesting that all of the seven major errors occurred during the last secular bear market from 1966 to 1982 and the current secular that we have been in since 2000.

As the opening of the New Year, January is host to many important events, indicators and recurring market patterns. U.S. Presidents are inaugurated and present State of the Union Addresses. New Congresses convene. Financial analysts release annual forecasts. Residents of earth return to work and school en mass after holiday celebrations. On January's second trading day, the results of the official Santa Claus Rally are known and on the fifth trading day the First Five Days early warning system sounds off, but it is the whole-month gain or loss of the S&P 500 that triggers our January Barometer. Beyond the obvious reasons, a positive January is much better than not as every down January on the S&P 500 since 1938, without exception, has preceded a new or extended bear market, a 10% correction, or a flat year.

And yet for some reason, every February (or sooner if January starts off poorly) our January Barometer gets raked over the coals and every attempt at disparaging this faithful indicator comes up lame. It never ceases to amaze us how our intelligent and insightful colleagues, that we have the utmost professional respect for and many of whom we consider friends, completely and utterly miss the point and fallaciously argue the shortcomings of the January Barometer. However, this year we are not waiting until this happens again. Instead, here is why the January Barometer is relevant and important.

1933 "Lame Duck" Amendment—Why JB Works

All detractors refuse to accept the fact the January Barometer exists for one reason and for one reason only: the Twentieth "Lame Duck" Amendment to the Constitution. Passage of the Twentieth Amendment in 1933 created the January Barometer. Since then it has essentially been "As January goes, so goes the year." January's direction has correctly forecasted the major trend for the market in most of the subsequent years.

Prior to 1934, newly elected Senators and Representatives did not take office until December of the following year, 13 months later (except when new Presidents were inaugurated). Defeated Congressmen stayed in Congress for all of the following session. They were known as "lame ducks."

Since 1934, Congress convenes in the first week of January and includes those members newly elected the previous November. Inauguration Day was also moved up from March 4 to January 20.

January's prognostic power is attributed to the host of important events transpiring during the month: new Congresses convene; the President gives the State of the Union message, presents the annual budget and sets national goals and priorities.

These events clearly affect our economy and Wall Street and much of the world. Add to that January's increased cash inflows, portfolio adjustments and market strategizing and it becomes apparent how prophetic January can be. Switch these events to any other month and chances are the January Barometer would become a memory.

JB vs. All

Over the years there has been much debate regarding the efficacy of our January Barometer. Skeptics never relent and we don't rest on our laurels. Disbelievers in the January Barometer continue to point to the fact that we include January's S&P 500 change in the full-year results and that detracts from the January Barometer's predicative power for the rest of the year. Others attempt to discredit the January Barometer by going further back in time: to 1925 or 1897 or some other arbitrary year.

After the Lame Duck Amendment was ratified in 1934 it took a few years for the Democrat's heavy congressional margins to even out and for the impact of this tectonic governing shift to take effect. In 1935, 1936 and 1937, the Democrats already had the most lopsided Congressional margins in history, so when these Congresses convened it was anticlimactic. Hence our January Barometer starts in 1938.

In light of all this debate and skepticism we have compared the January Barometer results along with the full year results, the following eleven months results, and the subsequent twelve months results to all other "Monthly Barometers" using the Dow Jones Industrials, the S&P 500 and the NASDAQ Composite.

Monthly S&P Barometers Accuracy Ratio			
	Since 1938		
	Calendar Year	11-month	12-month
January	77.3%	70.7%	71.6%
February	64.0%	60.8%	62.2%
March	68.0%	55.4%	51.4%
April	68.0%	62.2%	62.2%
May	61.3%	51.4%	54.1%
June	66.7%	59.5%	55.4%
July	61.3%	54.1%	54.1%
August	62.7%	51.4%	54.1%
September	66.7%	48.6%	48.6%
October	54.7%	45.9%	48.6%
November	62.7%	55.4%	55.4%
December	68.0%	60.8%	56.8%

Monthly Dow Barometers Accuracy Ratio			
	Since 1938		
	Calendar Year	11-month	12-month
January	81.3%	70.7%	64.9%
February	61.3%	56.8%	59.5%
March	62.7%	52.7%	52.7%
April	62.7%	51.4%	50.0%
May	56.0%	51.4%	54.1%
June	60.0%	56.8%	56.8%
July	57.3%	52.7%	54.1%
August	64.0%	50.0%	58.1%
September	60.0%	43.2%	44.6%
October	52.0%	45.9%	52.7%
November	60.0%	59.5%	58.1%
December	70.7%	52.7%	54.1%

Monthly NASDAQ Barometers Accuracy Ratio			
	Since 1971		
	Calendar Year	11-month	12-month
January	71.4%	71.4%	65.9%
February	57.1%	58.5%	53.7%
March	69.0%	56.1%	51.2%
April	73.8%	61.0%	61.0%
May	66.7%	56.1%	61.0%
June	61.9%	58.5%	58.5%
July	59.5%	53.7%	51.2%
August	59.5%	48.8%	51.2%
September	78.6%	53.7%	51.2%
October	52.4%	43.9%	51.2%
November	73.8%	61.0%	61.0%
December	59.5%	63.4%	63.4%

Here's what we found going back to 1938. There were only 8 major errors. In addition to the seven major errors detailed on page 16 of the Stock Trader's Almanac 2013: in 1946 the market dropped sharply after the Employment Act was passed by Congress, overriding Truman's veto, and Congress authorized $12 billion for the Marshall Plan.

Including these 8 major errors, the accuracy ratio is 89.3% for the 75-year period. Including the 9 flat year errors (less than +/– 5%) the ratio is 77.3% — still effective. For the benefit of the skeptics, the accuracy ratio calculated on the performance of the following 11 months is still solid. Including all errors — major and flat years — the ratio is still a respectable 70.7%.

Now for the even better news: In the 47 up Januarys there were only 3 major errors for a 93.6% accuracy ratio. These years went on to post 15.8% average full-year gains and 11.5% February-to-December gains.

Now let's compare the January Barometer to all other "Monthly Barometers." For the accompanying table we went back to 1938 for the S&P 500 and the Dow — the year in which the January Barometer came to life — and back to 1971 for NASDAQ when that index took its current form.

The accuracy ratios listed are based on whether or not the given month's move — up or down — was followed by a move in the same direction for the whole period. For example, in the 75 years of data for the S&P 500 for the January Barometer, 58 years moved in the same direction for 77.3% accuracy.

The Calendar Year ratio is based on the month's percent change and the whole year's percent change; i.e., we compare December 2012's percent change to the change for 2012 as a whole. By contrast the 11-month ratio compares the month's move to the move of the following eleven months.

February’s change is compared to the change from March to January. The 12-month change compares the month’s change to the following twelve months. February’s change is compared to the change from March to the next February.

Though the January Barometer is based on the S&P 500 we thought it would clear the air to look at the other two major averages as well. You can see for yourself in the table that no other month comes close to January in forecasting prowess over the longer term.

There are a few interesting anomalies to point out though. On a calendar year basis the Dow in January is slightly better than the S&P. 2011 is a perfect example of how the DJIA just edges out for the year while the S&P does not. For NASDAQ April, September and November stick out as well on a calendar year basis, but these months are well into the year, and the point is to know how the year might pan out following January, not April, September or November. And no other month has any basis for being a barometer. January is loaded with reasons.

Being the first month of the year it is the time when people readjust their portfolios, rethink their outlook for the coming year and try to make a fresh start. There is also an increase in cash that flows into the market in January, making market direction even more important. Then there is all the information Wall Street has to digest: The State of the Union Address, FOMC meetings, 4th quarter GDP, earnings and the plethora of other economic and market data.

Myths Dispelled

In recent years new myths and/or areas of confusion have come to light. One of the biggest errors is the notion that the January Barometer is a stand alone indicator that can be used to base all of your investment decisions for the coming year on. This is simply not true and we have never claimed that the January Barometer should or could be used in this manner. The January Barometer is intended to be used in conjunction with all available data deemed relevant to either confirm or call into question your assessment of the market. No single indicator is 100% accurate so no single indicator should ever be considered in a vacuum. The January Barometer is not an exception to this.

Another myth is that the January Barometer is completely useless. Those that believe this like to point out that simply expecting the market to be higher by the end of the year is just as accurate as the January Barometer. Statistically, they are just about right. In the 75-year history examined in this article, there were only 22 full-year declines. So yes, the S&P 500 has posted annual gains 70.7% of the time since 1938. What is missing from this argument is the fact that when January was positive, the full year was also positive 89.4% of the time and when January was down the year was down 60.7% of the time. We also know from above, that every down January on the S&P 500 since 1938, without exception, has preceded a new or extended bear market, a 10% correction, or a flat year.

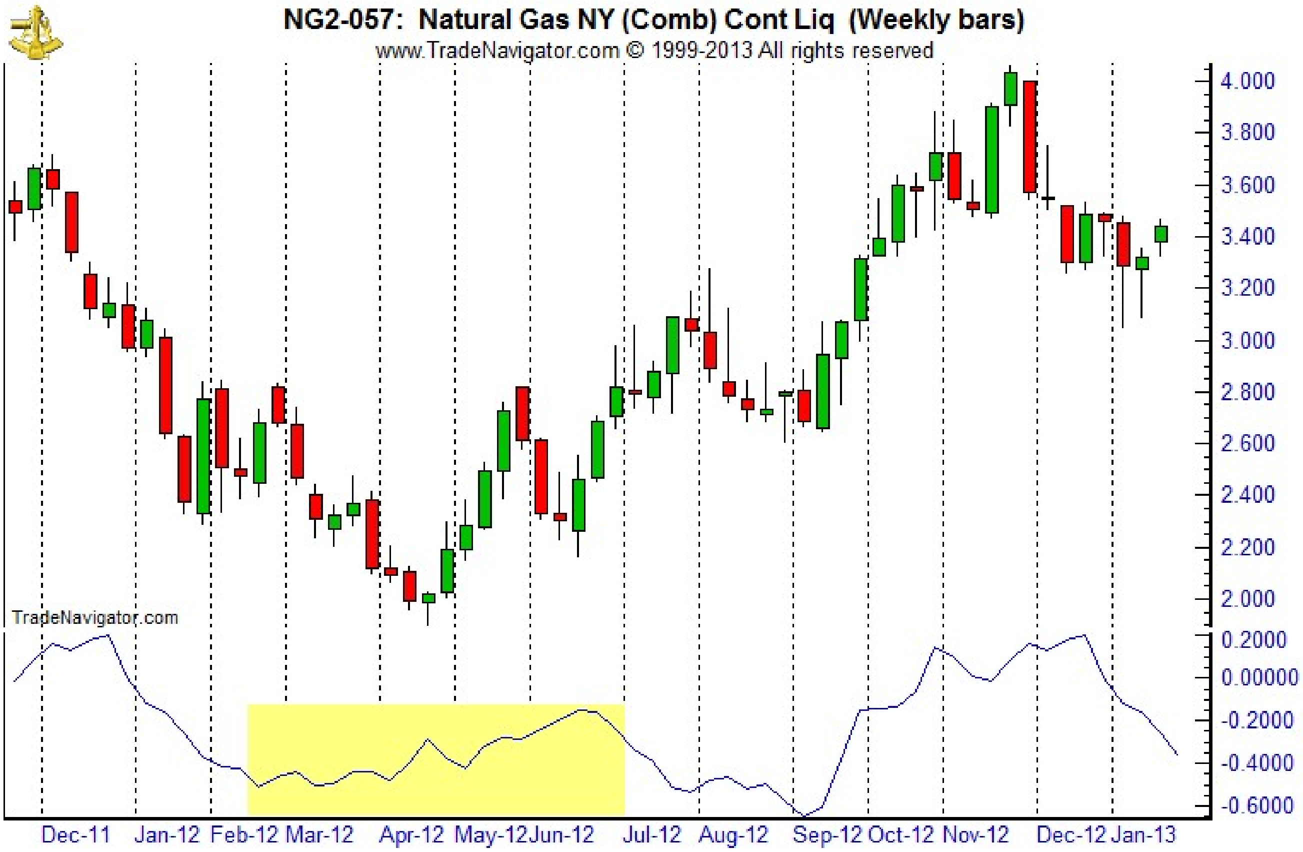
By entirely ignoring the January Barometer, a trader or investor is simply accepting they will lose money 29.3% of the time based upon the historical performance of the S&P 500. How many parents or guardians would be satisfied knowing that 70.7% is the best their kid could do in school, ever? So why would it be acceptable in trading? It’s not. Although the January Barometer is not 100% accurate, it does provide an advantage over simply guessing “higher” every year, increasing your odds at making money and perhaps even more important, not losing money. We’ll continue to delve deeper into the January Barometer (and other indicators), but for now we are content that its results will refute any representations to the contrary.

Natural Gas Bear Market Likely Ended Last Year

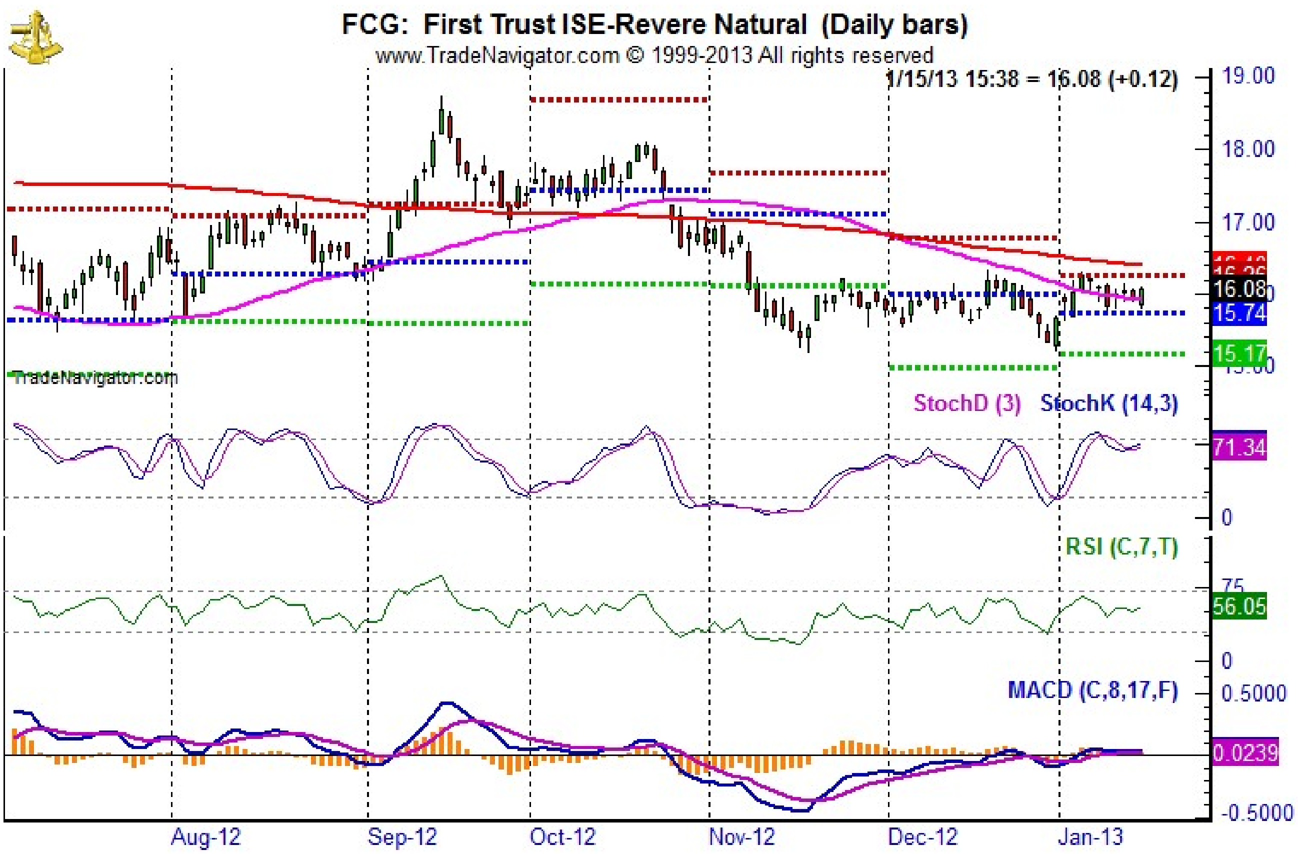
By Christopher Mistal

In the *Stock Trader’s Almanac 2013* there is a seasonal tendency, based upon the **Amex Natural Gas Index** (XNG), for natural gas companies to enjoy gains from the end of February through the beginning of June. Over the past 5, 10, and 15 years this trade has returned 18.2%, 14.3%, and 18.5% respectively. Concurrent with this is a featured trade on page 32 of the *Commodity Trader’s Almanac 2013* that is based upon natural gas, the commodity. Both seasonalities have come under assault in recent years as natural gas was in a bear market after it peaked just shy of $16 per million British Thermal Units (Btu) in 2005 until last April when it traded at less than $2.00 per million Btu.

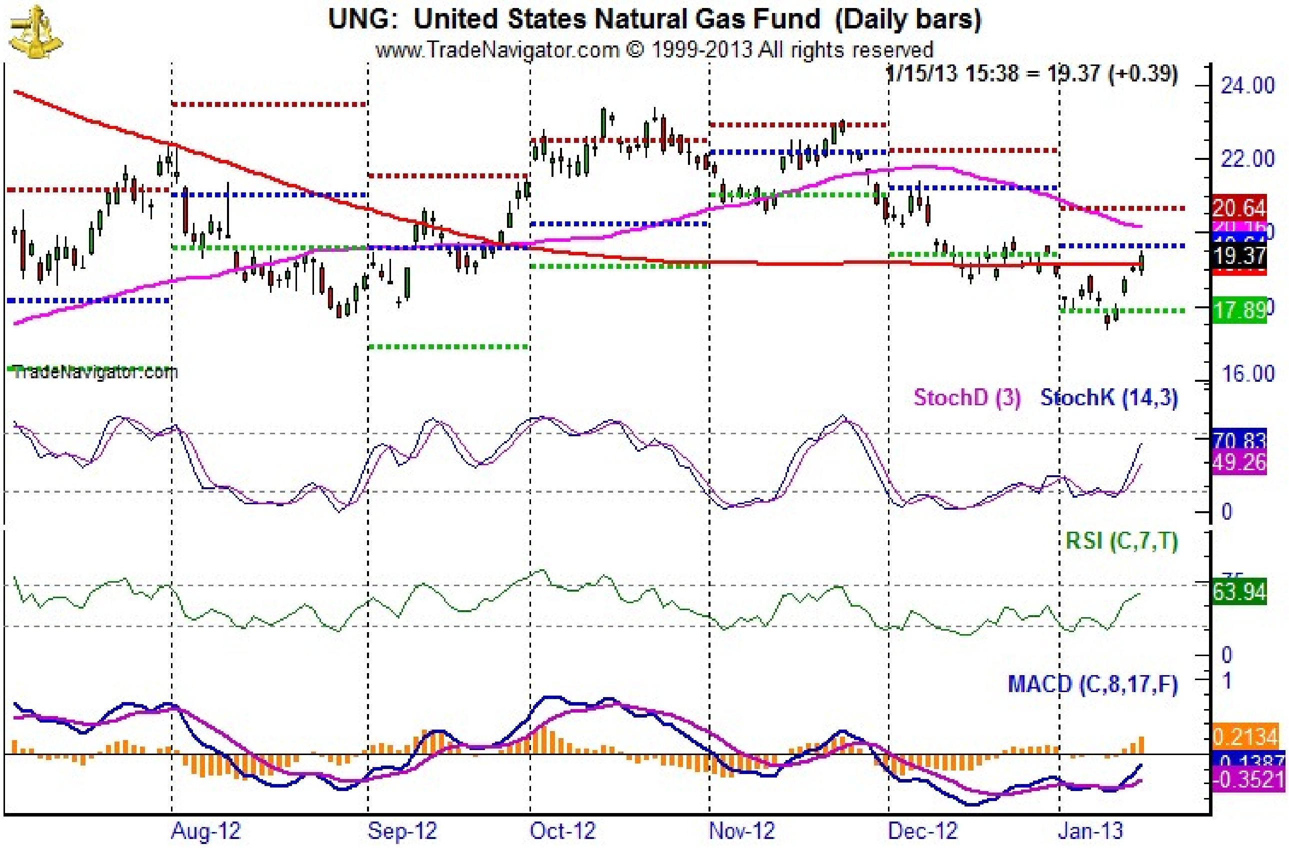
Sluggish economic growth and mild winters have kept demand in check while new discoveries and production technologies have contributed to a supply glut. Most, if not all of these conditions, still exist today. However, because of the sustained period of weak prices there has been some attrition and consolidation within the sector. As a result, producers are gaining better control of the supply of natural gas and prices did firm up in 2012. In fact, from its April 2012 low to its late November high, natural gas doubled in price. Natural gas has since pulled back and is attractive, especially as its seasonally strong period is about to begin.



First Trust ISE-Revere Natural Gas (FCG) is an excellent choice to gain exposure to the company side of the natural gas sector. FCG can be bought on dips below $15.50. Once purchased, use a stop loss of $13.95 and take profits at the auto sell, $20.20. Top five holdings by weighting as of yesterday's close are: Goodrich Petroleum (GDP), SM Energy (SM), Magnum Hunter Resources (MHR), Questar (STR), and Newfield Exploration (NFX). The net expense ratio is reasonable at 0.6% and the fund has nearly $400 million in assets.



Recently stopped out **United States Natural Gas** (UNG) is recommended to trade the commodity's seasonality as its assets consist of natural gas futures contracts and is highly liquid with assets in excess of $1billion and average daily trading volume in excess of 8 millions shares per day on average over the past three months. UNG can be bought on dips below $18.50. If purchased, set an initial stop loss at $17.08 and take profits at the auto sell price of $20.35.



ETF Portfolio Updates

Gold and Silver, Semiconductors, and Telecom all exited their historically favorable periods in December. Correlating positions in **iShares DJ US Telecom** (IYZ) and **iShares PHLX SOX Semi**
(SOXX) should be closed out. For tracking purposes IYZ and SOXX will be closed out of the ETF Portfolio using today's closing prices. Although gold and silver have been weak lately, the position in **SPDR Gold** (GLD) will not be sold as gold and silver have both demonstrated renewed strength in the first quarter over the past few years. GLD is on Hold. Internet, Computer Tech, Healthcare Providers, Pharmaceutical, and Utilities all exit their favorable periods this month. Sell **First Trust DJ Internet** (FDN), **SPDR Technology** (XLK), **iShares DJ US Healthcare Provider** (IHF), **iShares DJ US Pharmaceutical** (IHE), and **SPDR Utilities** (XLU). For tracking proposes these positions will also be closed out of the portfolio using closing prices from today.

Just one sector ends its seasonally favorable period in February, Healthcare Products. **iShares Dow Jones US Medical Devices** (IHI) is on hold and its stop loss has been raised to break even. Last month's January Short Trades that targeted the Computer Technology and Internet sectors, rallied with the broader market at the start of the New Year. Because REW and TECS are leveraged ETFs and weakness has not yet materialized, no official trade recommendation is being made at this time.

Almanac Investor ETF Portfolio

Ticker	Exchange Traded Fund	Recommended Date	Recommended Price	1/14/2013 Price	1/14/2013 Return	Buy Limit [1]	Stop Loss [1]	Auto Sell	Current Advice [1]
GLD	SPDR Gold	5/17/12	149.50	161.54	8.1%		155.17	187.80	Hold
XLU	SPDR Utilities	6/7/12	36.00	35.33	-1.9%				Sell
FDN	First Trust DJ Internet	7/10/12	37.81	40.88	8.1%				Sell
IHI	iShares DJ US Medical Devices	7/10/12	68.44	71.00	3.7%		68.44	83.64	Hold
UNG	United States Natural Gas	7/17/12	18.60	18.98	6.5%				Stopped Out 12/10 @ 19.80
XLP	SPDR Consumer Staples	8/7/12	35.79	36.03	0.7%		32.43	43.94	Hold
XRT	SPDR Retail	8/7/12	61.50	63.22	2.8%		56.90	75.50	Hold
IYT	iShares DJ Transports	9/20/12	87.70	99.89	13.9%		89.90	116.05	Hold
IAI	iShares DJ US Broker-Dealers	9/20/12	23.02	24.89	8.1%		22.40	33.65	Hold
IHF	iShares DJ US Healthcare Prov	9/20/12	68.48	70.15	2.4%		63.14		Sell
IHE	iShares DJ US Pharmaceutical	9/20/12	88.38	90.21	2.1%		81.19		Sell
IYZ	iShares DJ US Telecom	9/20/12	24.71	24.57	-0.6%		22.24		Sell
XLI	SPDR Industrial	9/20/12	36.56	39.24	7.3%		35.32	48.86	Hold
KBE	SPDR S&P Bank	9/20/12	23.95	24.80	3.5%		22.32	30.27	Hold
XLB	SPDR Materials	9/20/12	36.23	39.02	7.7%		35.12	46.55	Hold
XLK	SPDR Technology	9/20/12	30.44	29.40	-3.4%		27.43		Sell
VNQ	Vanguard REIT	9/20/12	65.61	67.35	2.7%		60.62	81.63	Hold
CORN	Teucrium Corn	10/9/12	47.00	44.78	-7.5%				Stopped Out 1/3 @ 43.46
IBB	iShares NASDAQ Biotech	11/6/12	133.08	145.82	9.6%		131.24	188.25	Hold
SOXX	iShares PHLX SOX Semi	11/6/12	52.15	54.56	4.6%		49.10		Sell
DIA	SPDR DJIA	11/6/12	132.05	134.89	2.2%		128.15		Hold
IXC	iShares S&P Global Energy	11/8/12	37.12	39.26	5.8%		35.33	46.30	Hold
XLE	SPDR Energy	11/8/12	68.84	73.62	6.9%		66.26	85.87	Hold
GDX	Market Vectors Gold Miners	11/13/12	49.50	45.23	-8.9%				Sold 12/6 @ 45.08
FCG	First Trust ISE-Revere Natural Gas	1/15/13	15.50	15.96	New	15.50	13.95	20.20	Buy Dips
UNG	United States Natural Gas	1/15/13	18.50	18.98	New	18.50	17.08	20.35	Buy Dips
			Open Position Average % Return		3.5%				
			Average Total % Return		2.2%				

*[1] STANDARD POLICY: SELL HALF ON A DOUBLE, Buy Limits good til cancel, Stop only if closed below Stop Loss, Current Advice is based upon closing prices as they appear in table. *Adjusted*

Disclosure Note: At press time, officers of the Hirsch Organization did not hold any positions in the securities mentioned in this article, but may buy or sell at any time.

Time to Digest Free Lunch Gains

By Christopher Mistal

Aided by the January Effect (2013 STA, page 104 & 108) of small caps outperforming large caps, since December 17, our 2012 Free Lunch Menu of 17 stocks making new 52-week lows on December 21 has performed well. As of yesterday's close, the basket was up 19.6% compared to a NYSE Composite gain of 3.2% over the same period. Just one stock, Crossroads Systems (CRDS) turned sour. Herbalife's (HLF) tumultuous past few weeks actually turned into the best short-term trade, gaining 61.6%.

Given the magnitude of the basket's gains and the fact that the bulk of small cap outperformance is usually done by mid-January, the time has come to close out any remaining open positions. Or, at the least employ a trailing stop loss to ensure that these gains don't vaporize just as quickly as they materialized. Our 2012 Free Lunch Menu of Bargain Stocks portfolio will officially be closed out on today's close. We will publish the final results in Thursday's Alert.

	2012 FREE Lunch Menu of Bargain Stocks 17 Options-Expiration New Lows	52-Week Low	52-Week High	% Down From High	12/21/2012 Close	1/14/2013 Close	% Change
	NYSE				8443.16	8717.45	3.2%
HLF	Herbalife	26.03	73.00	– 64.3%	27.27	44.08	61.6%
NRT	North European Oil Royalty Trust	21.91	33.71	– 35.0%	22.10	24.55	11.1%
NUS	Nu Skin Enterprises	34.38	62.02	– 44.6%	34.51	42.71	23.8%
SBR	Sabine Royalty Trust	39.86	66.50	– 40.1%	40.16	44.29	10.3%
TRQ	Turquoise Hill Resources	7.11	20.46	– 65.2%	7.16	9.38	31.0%
					NYSE Average:		27.6%
	AMEX				2352.13	2398.39	2.0%
BAA	Banro Corp.	2.65	6.05	– 56.2%	2.70	3.05	13.0%
GPL	Great Panther Silver	1.45	2.94	– 50.7%	1.45	1.58	9.0%
PAL	North American Palladium	1.17	3.21	– 63.6%	1.22	1.63	33.6%
XRA	Exeter Resources Corp.	1.09	4.20	– 74.0%	1.09	1.35	23.9%
					AMEX Average:		19.8%
	NASDAQ				3021.01	3117.5	3.2%
ARWR	Arrowhead Research	2.00	7.31	– 72.6%	2.06	2.11	2.4%
CLCT	Collectors Universe	9.25	17.48	– 47.1%	10.50	10.61	1.0%
CPIX	Cumberland Pharmaceuticals	4.10	8.02	– 48.9%	4.35	4.55	4.6%
CRDS	Crossroads Systems	2.40	6.38	– 62.4%	2.41	2.23	– 7.5%
FOLD	Amicus Therapeutics	2.75	7.29	– 62.3%	2.76	3.97	43.8%
MELA	MELA Sciences	1.95	5.13	– 62.0%	1.99	2.02	1.5%
SMED	Sharps Compliance	2.20	4.27	– 48.5%	2.35	2.99	27.2%
TRIT	Tri-Tech Holding	1.52	9.95	– 84.7%	1.56	2.23	42.9%
					NASDAQ Average:		14.5%
					Bargain Stock Average		19.6%

Disclosure Note: At press time, officers of the Hirsch Organization no longer held any positions in the Free Lunch Stocks.

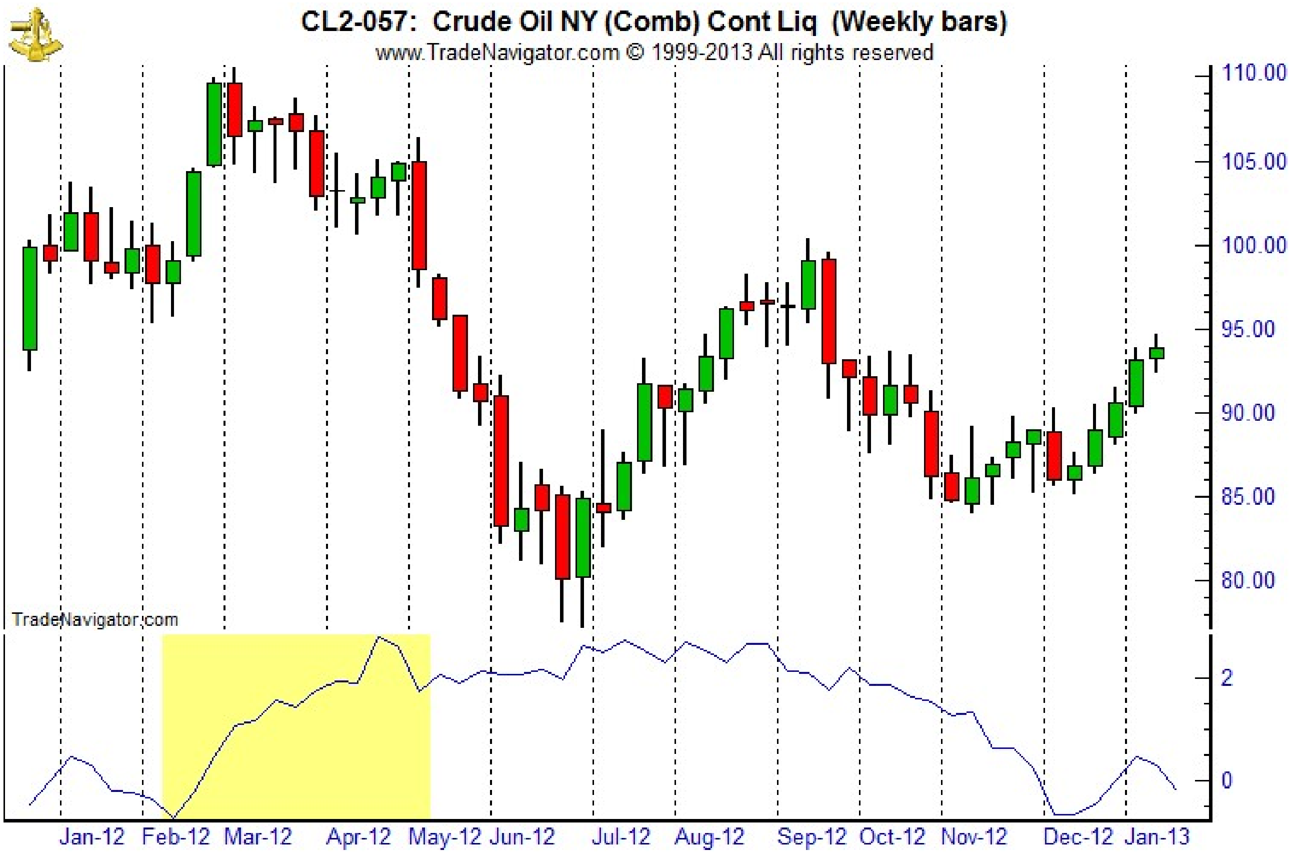
China's Soft Landing a Boon For Crude Oil

By Christopher Mistal, Jeffrey A. Hirsch & John L. Person

Crude oil has a tendency to bottom in mid-February and then rally through mid-May. It is that early February break that can give traders an edge by buying low in a seasonally strong period. In the 29-year history, this trade has worked 24 years for an 82.8% win ratio with a cumulative profit of $92,490 (based upon a single futures contract excluding commissions and taxes). This trade has the second highest win ratio of all the commodity seasonalities listed in the *Commodity Trader's Almanac 2013*.

FEBRUARY LONG CRUDE OIL (JULY) TRADING DAY: 10 – HOLD : 60 DAYS					
	Entry		Exit		Profit/
Year	Date	Close	Date	Close	Loss
1984	2/14	29.18	5/10	30.37	$1,190
1985	2/14	25.86	5/13	27.03	1,170
1986	2/14	16.38	5/13	15.21	–1,170
1987	2/13	17.57	5/12	18.93	1,360
1988	2/12	16.55	5/10	17.61	1,060
1989	2/14	15.98	5/11	18.83	2,850
1990	2/14	21.37	5/11	19.34	–2,030
1991	2/14	18.50	5/13	20.96	2,460
1992	2/14	19.72	5/12	21.08	1,360
1993	2/12	20.02	5/12	20.41	390
1994	2/14	15.09	5/12	17.70	2,610
1995	2/14	17.95	5/11	19.24	1,290
1996	2/14	17.60	5/10	20.14	2,540
1997	2/14	21.20	5/13	21.28	80
1998	2/13	17.00	5/12	15.93	–1,070
1999	2/12	12.33	5/11	17.99	5,660
2000	2/14	26.51	5/10	28.05	1,540
2001	2/14	28.31	5/11	29.08	770
2002	2/14	21.56	5/13	27.62	6,060
2003	2/14	31.57	5/13	28.08	–3,490
2004	2/13	32.42	5/11	39.97	7,550
2005	2/14	47.88	5/11	51.95	4,070
2006	2/14	63.22	5/11	74.68	11,460
2007	2/14	60.34	5/11	64.12	3,780
2008	2/14	94.89	5/12	124.10	29,210
2009	2/13	48.14	5/12	59.71	11,570
2010	2/12	76.08	5/11	80.22	4,140
2011	2/14	95.58	5/11	98.77	3,190
2012	2/15	103.60	5/11	96.49	–7,110
				29-Year Gain	$92,490
				# Wins	24
				# Losses	5

Seasonal influence that causes crude oil to move higher in this time period is partly due to continuing demand for heating oil and diesel fuel in the northern states and partly due to the shut down of refinery operations in order to switch production facilities from producing heating oil to reformulated unleaded gasoline in anticipation of heavy demand for the upcoming summer driving season. This has refiners buying crude oil in order to ramp up the production for gasoline.

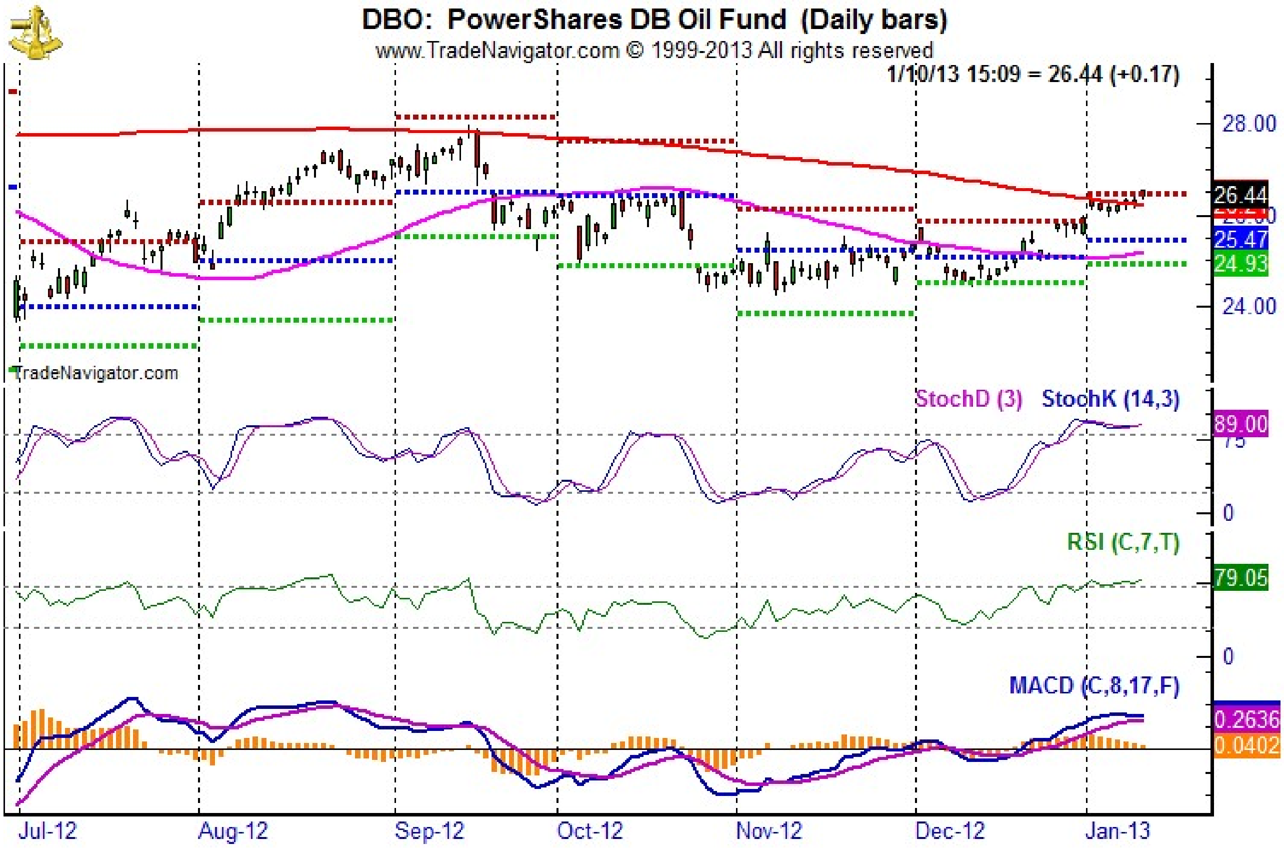


Although crude oil demand by the world's largest consumer, the U.S., has remained essential flat over the past decade, emerging markets such as China, India, and Brazil have been steadily increasing their demand. Emerging market growth was tempered by the financial crisis of 2008-2009, but Mr. Person noted that "*both the U.S. and the global economy are seeing gradual improvements as indicated by the last two jobs numbers and today's news from China, suggesting improvement there as well*." He is "*also seeing signs of strength in Latin America.*" Mr. Person went on to say that "*based on improved fundamentals as well as the technical indicators I am in the opinion that the seasonal strength will continue in the oil sector.*" We agree and look to expand the *Almanac Investor* ETF Portfolio's exposure to the sector.

But, before doing so, U.S. domestic production at its highest level in nearly 20 years has to be acknowledged as it may lead some to believe that oil prices will soon be falling and in a significant way. Unfortunately, the falling price scenario is not likely to play out anytime soon. The same report that showed the highest domestic production in 20 years also showed that the U.S. is still importing more oil than it produces. Plus, crude oil is a global commodity that is readily transported around the globe. Should domestic supplies begin to trade at too large of a discount to global markets, it seems highly likely that the "cheaper" domestic oil would find its way onto the higher-priced global market in short order.

An outright long futures position (July 2012 contract) is the direct method to take advantage of crude oil's seasonal strength, and of course, there are plenty other alternatives for traders without futures accounts. Stock traders can use exchange-traded funds (ETF) such as **United States Oil Fund** (USO), or **SPDR Energy** (XLE), or options on these ETFs. Highly-correlated stocks like **Exxon** (XOM) and **Chevron** (CVX) or other refinery stocks that have a direct price correlation to the underlying futures market also make excellent choices.

XLE is already held in the Almanac Investor ETF Portfolio, as is **iShares S&P Global Energy** (IXC), but these recommendations were based upon seasonal strength in the Amex Oil index (XOI) which is a stock index and not the actual commodity. However, **PowerShares DB Oil** (DBO) holds actual crude oil futures contracts and offers a direct path to trade this commodity based seasonality. DBO has been on a tear since mid-December which has pushed its MACD, relative strength, and stochastic indicators solidly into overbought territory. This does not mean that it can not keep on running, but **DBO would be more attractive on any dip below $25.50 or on a break out above $28**. Once purchased, set a stop loss of $22.95 or $25.20 dependent upon which buy trigger is reached first (lower stop is for lower buy point, higher stop is for higher buy point). This recommendation will be tracked in the *Almanac Investor* ETF Portfolio.



Disclosure Note: Mr. Person may buy or sell securities mentioned in this article at any time. At press time, officers of the Hirsch Organization did not hold any positions mentioned, but may buy or sell at any time.

John's Bottom-Line Newsletter subscription provides daily recommendations and video market updates and these types of trades everyday the market is open. On his website John offers an amazing ONE-TIME trial. Visit http://www.nationalfutures.com for more information

John Person is a Professional Trader with 30 years of experience in the Futures and Options trading markets. He started on the Floor of the Chicago Mercantile Exchange back in 1979. He worked with George Lane, the innovator of Stochastics. John is the President of Nationalfutures.com, an Investment Advisory service and is a registered Commodity Trading Advisor. In 1998, he developed his own proprietary trading system and began publishing "The Bottom-Line Financial and Futures Newsletter," a weekly commodity publication. He is the author of several popular trading books all published by John Wiley and Sons. The nation's most respected business journalists call him for his market opinions. He is widely quoted by MarketWatch, Barron's, Reuters, Dow Jones, and appears regularly on CNBC.

Solid Gains, But Shaky Start Down 3 of 5

By Christopher Mistal

2013 has gotten off to a bullish start with a solid Santa Claus Rally and a positive First Five Days. Santa delivered a 2.0% S&P 500 gain and the First Five have delivered a 2.2% gain. Last Friday's non-farm payroll report was encouraging confirmation that the economy continues to grow. But, the sluggish pace is still insufficient to meaningfully reduce the unemployment rate that remained right around 8% for all of 2012 and is currently at 7.8%. Even though the majority of the fiscal cliff's automatic tax increases were avoided, nearly everyone has seen or will soon see the effect of the expiration of the payroll tax cut which could dampen consumer spending and put further pressure on growth.

The last 40 up First Five Days were followed by full-year gains 34 times for an 85.0% accuracy ratio and a 13.6% average gain in all 40 years. In post-presidential election years this indicator has a solid record. Just six of the last fifteen post-election-year's First Five Days showed gains. Only 1973 was a loser at the start of the major bear caused by Vietnam, Watergate and the Arab Oil Embargo. The other four years gained 22.8% on average (1961, 1965, 1989, 1997, and 2009).

First Five Days Changes

	12/31/2012 Close	1/8/2013 Close		
DJIA	13104.14	13328.85	+224.71	+1.7%
S&P 500	1426.19	1457.15	+30.96	+2.2%
NASDAQ	3019.51	3091.81	+72.30	+2.4%

Although this seasonal bullish market action is encouraging, there are still substantial headwinds that are likely to limit market gains as detailed in our 2013 Annual Forecast. Further upside is likely, but the path will be tumultuous as Congress wrangles with the federal debt ceiling and its $1 trillion plus annual deficits in coming weeks. The final arbiter of these yearend/New Year indicators is the January Barometer at month-end. The December Low Indicator (2013 STA, page 40) should also be watched with the line in the sand the Dow's December Closing Low of 12938.11 on 12/28/12.

Free Lunch Update

Aided by the January Effect (2013 STA, page 104 & 108) of small caps outperforming large caps, based upon the performance of Russell 2000 to the Russell 1000, since December 17, our 2012 Free Lunch Menu of 17 stocks making new 52-week lows on December 21 is performing well. As of the close on January 7th, the basket is currently up 13.6% compared to a NYSE Composite gain of 2.3% over the same period. Fifteen of the stocks are showing gains and the worst performing stock, MELA, is off 9.6%. This year's best performer, Tri-Tech Holdings, is up 53.2%. As a reminder, this is a short term strategy. Sell winners when you have them and cut your losses quickly as some Free Lunch stocks can turn out to be real dogs.

2012 FREE Lunch Menu of Bargain Stocks
17 Options-Expiration New Lows

		52-Week Low	52-Week High	% Down From High	12/21/2012 Close	1/7/2013 Close	% Change
	NYSE				8443.16	8636.91	2.3%
HLF	Herbalife	26.03	73.00	– 64.3%	27.27	36.57	34.1%
NRT	North European Oil Royalty Trust	21.91	33.71	– 35.0%	22.10	23.04	4.3%
NUS	Nu Skin Enterprises	34.38	62.02	– 44.6%	34.51	42.02	21.8%
SBR	Sabine Royalty Trust	39.86	66.50	– 40.1%	40.16	44.25	10.2%
TRQ	Turquoise Hill Resources	7.11	20.46	– 65.2%	7.16	9.12	27.4%
					NYSE Average:		19.5%
	AMEX				2352.13	2398.94	2.0%
BAA	Banro Corp.	2.65	6.05	– 56.2%	2.70	2.70	0.0%
GPL	Great Panther Silver	1.45	2.94	– 50.7%	1.45	1.64	13.1%
PAL	North American Palladium	1.17	3.21	– 63.6%	1.22	1.59	30.3%
XRA	Exeter Resources Corp.	1.09	4.20	– 74.0%	1.09	1.19	9.2%
					AMEX Average:		13.2%
	NASDAQ				3021.01	3098.81	2.6%
ARWR	Arrowhead Research	2.00	7.31	– 72.6%	2.06	2.16	4.9%
CLCT	Collectors Universe	9.25	17.48	– 47.1%	10.50	10.56	0.6%
CPIX	Cumberland Pharmaceuticals	4.10	8.02	– 48.9%	4.35	4.45	2.3%
CRDS	Crossroads Systems	2.40	6.38	– 62.4%	2.41	2.50	3.7%
FOLD	Amicus Therapeutics	2.75	7.29	– 62.3%	2.76	3.56	29.0%
MELA	MELA Sciences	1.95	5.13	– 62.0%	1.99	1.80	– 9.5%
SMED	Sharps Compliance	2.20	4.27	– 48.5%	2.35	2.29	– 2.6%
TRIT	Tri-Tech Holding	1.52	9.95	– 84.7%	1.56	2.39	53.2%
					NASDAQ Average:		10.2%
					Bargain Stock Average		13.6%

Consecutive NASDAQ 2% Daily Gains

After observing that the NASDAQ had gained 2% or greater on the last day of 2013 and the first day of 2013, a Twitter follower recently inquired as to whether or not back-to-back 2% daily NASDAQ gains had any historical significance. In response to that question our NASDAQ database that begins in 1971 was searched for previous occurrences. In total, the NASDAQ had accomplished this very feat a total of 44 times previous to this year. Most recently, it last occurred on October 4th and 5th of 2011 and marked the end of 2011's "Worst Six Months".

From a longer-term prospective past occurrences were most common during the periods of heightened volatility that are most common during turbulent market periods and bear markets and rarely marked the start of a new sustained rally. In the chart below, all 44 past occurrences have been combined to show their average trend 30 trading days before and 60 trading days after. On average the NASDAQ was flat to down over the next 60 trading days.

Disclosure Note: At press time, officers of the Hirsch Organization held positions in NRT, NUS and SBR.

Santa Delivers Following Fiscal Cliff Deal

By Jeffrey A. Hirsch & Christopher Mistal

As defined in the *Stock Trader's Almanac*, the Santa Claus Rally is the propensity for the S&P to rally the last five trading days of December and the first two of January an average of 1.5% since 1950.

The lack of a rally has often been a preliminary indicator of tough times to come. This was the case recently in 2008 and 2000. A 4.0% decline in 2000 foreshadowed the bursting of the tech bubble and a 2.5% loss in 2008 preceded the second worst bear market in history. There have been several instances in which a positive SCR preceded bad years or markets, so some caution is in order. This was the case in 2011 although the market did manage to recoup most of its losses to finish the year flat.

This is the first indication that the current rally still has legs and lends support to our 2013 Annual Forecast for further labored gains. We also want to see positive performance from the First Five Days of January and the full-month January Barometer. The December Low Indicator (2013 STA, page 40) should also be watched with the line in the sand the Dow's December Closing Low of 12938.11 on 12/28/12.

Santa Claus Rally Changes				
	12/21/2012 Close	1/3/2013 Close		
DJIA	13190.84	13391.36	+200.52	+1.5%
S&P 500	1430.15	1459.37	+29.22	+2.0%
NASDAQ	3021.01	3100.57	+79.56	+2.6%

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