

## December 2014 Trading &amp; Investment Strategy

November 25, 2014 - Volume 14, Number 5

**Psychological:** *Festive.* Its yearend rally time and that is exactly what the market is doing. Trading from now into the New Year is holiday fueled. From the Wednesday before Thanksgiving to the end of the Santa Claus Rally, S&P 500 has averaged a 2.6% gain since 1949 with just twelve losses. Falling gasoline prices are also adding to the festive mood.

**Fundamental:** *Firm.* Broadly speaking economic data is still solid here in the U.S. Revised Q3 GDP was better than expected at 3.9%. Job creation is still humming along (214,000 in October) while initial weekly unemployment claims are still respectable at less than 300,000. The unemployment rate is at 5.8%. Overseas growth is still a concern, but thus far it has only had a limited effect on U.S. economic health.

**Technical:** *Broken Out.* Following a brush with Octoberphobia, DJIA, S&P 500 and NASDAQ have all briskly rebounded and have broken out to new highs. The magnitude of the market's surge has pushed major indices well above their respective 50- and 200-day moving averages and stretched technical indicators into or near overbought territory. Typical early December weakness will likely reset the markets for another push higher into yearend. Small-caps, measured by the Russell 2000 have not broken out yet, but should begin to move higher in mid-December.

**Monetary:** *0-0.25%.* Fed QE is officially done. When will the Fed raise rates is now the primary discussion, but with inflation expectations and official metrics still running below target, there may still be considerable time before rates do increase. In the meantime, The ECB, Japan and China central banks are ramping up stimulus efforts. Europe and Japan are trying to stave off deflation and kindle growth, while China is simply looking for more growth. Despite the Fed's absence, there are still ample supplies of liquidity in the global financial system. Without a doubt, some portion of this foreign stimulus will make its way to U.S. markets further supporting the current bull market.

**Seasonal:** *Bullish.* December is the number one S&P 500 month and second best for DJIA since 1950, averaging gains of 1.7% on each index. It's also the top Russell 1000 and Russell 2000 (1979) month and second best for NASDAQ (1971). Rarely does the market fall precipitously in December. In midterm years, December's rankings slip modestly, but average gains remain inline. The "January Effect" of small-cap outperformance starts early in mid-December. Wall Street's only "Free Lunch" of distressed small- and micro-cap stocks making new 52-week lows on December Triple-Witching Friday will be served before the opening bell on December 22. Santa's Rally begins on Wednesday December 24 and lasts until the second trading day of the New Year. S&P has averaged gains of 1.5% since 1969. In years when Santa Claus did not come to Wall Street, bear markets or sizable corrections have often materialized in the coming year.

## 2015 Forecast Preview: Give Thanks for the Bull Market Stick to Playbook

It's the time of year to pause and reflect and give thanks for the things we have and hold dear. As I said to the kids at peewee wrestling practice last night, I am thankful for wrestling. Wrestling teaches discipline, hard work, body and mind awareness, builds strength and confidence, while promoting individual achievement as well as teamwork. Olympic wrestling great Dan Gable (gold medal 1972 Munich) said, "*Once you've wrestled everything else in life is easy.*"

In addition to being thankful for family, friends, health and the *Stock Trader's Almanac*, we should all give thanks for this bull market and the fact that it appears to still have some legs. A sizeable number of analysts and pundits are skeptical of the market's prospects for further gains over the next 12-13 months. However, readings from several disciplines indicate that the market is most likely to continue higher over the next six months at least and through next year. After that is another story.

Historical cycles suggest good things for the stock market in 2015. It's a pre-presidential election year, which is by far and away the best year of the 4-year cycle. Since their last loss in 1939, the third year of the cycle is up 16.0% on average for the Dow and 16.3% for the S&P 500. Since 1971 NASDAQ averages a whopping 30.9% in the third year of the 4-year cycle.

The fifth year of the decade is also the best year of the decennial pattern by a long shot with only one loss in the past thirteen decades. Years ending in "5" average 28.3% for the Dow and its predecessors since 1885, with S&P 500 averaging 25.3% since 1935 and NASDAQ averaging 25.6% since 1975.

We are now firmly in the sweet spot of the 4-year cycle (midterm Q4 & pre-election Q1-2). These best three quarters of the 4-year cycle have produced averaged gains of 21.5% for the Dow and 22.2% for the S&P 500 since 1950 and 34.1% for NASDAQ since 1974.

Since 1901 there have been six previous presidents that have served a sixth and seventh year. Except for 1919 during the post-WWI-armistice rally, seventh years have been a little weaker than other pre-election years, likely due to lower excitement with a president the country has become apathetic towards.

As mentioned last Friday on the blog, [three consecutive years of double-digit gains are bullish for 2015](#). The S&P 500 is up nearly 12% at this writing so far this year. If these gains hold or increase, it would be just the fourth time in 84 years of S&P 500 data in which there have been three or more consecutive years of double-digit gains. In all past occurrences the year after the third year of double-digit gains was also up double-digits for an average gain of 23.1%.

## Issues

There are some issues to be mindful of. While relatively robust at present, growth has been fickle and sluggish at times. But we believe stimulus from the European Central Bank, Japan and China will pick up the slack from the US Fed and buoy stocks, at least for the near term. All that foreign cash is like to end up in the booming US stock market, especially early on.

Geopolitical shocks have been mostly absorbed and only impacted the market briefly and marginally. News flash: the Mideast is unstable. However, there is always the possibility of a major flare up there or in the touchy Russia/Ukraine situation that could roil the market.

We expect the usual 50% move from the midterm low to the pre-election year high to be below average in the 20-30% range as Fed rates hikes loom large. Toward the later part of 2015 the economy is prone to slowing as Republicans and Democrats begin the next battle for the White House.

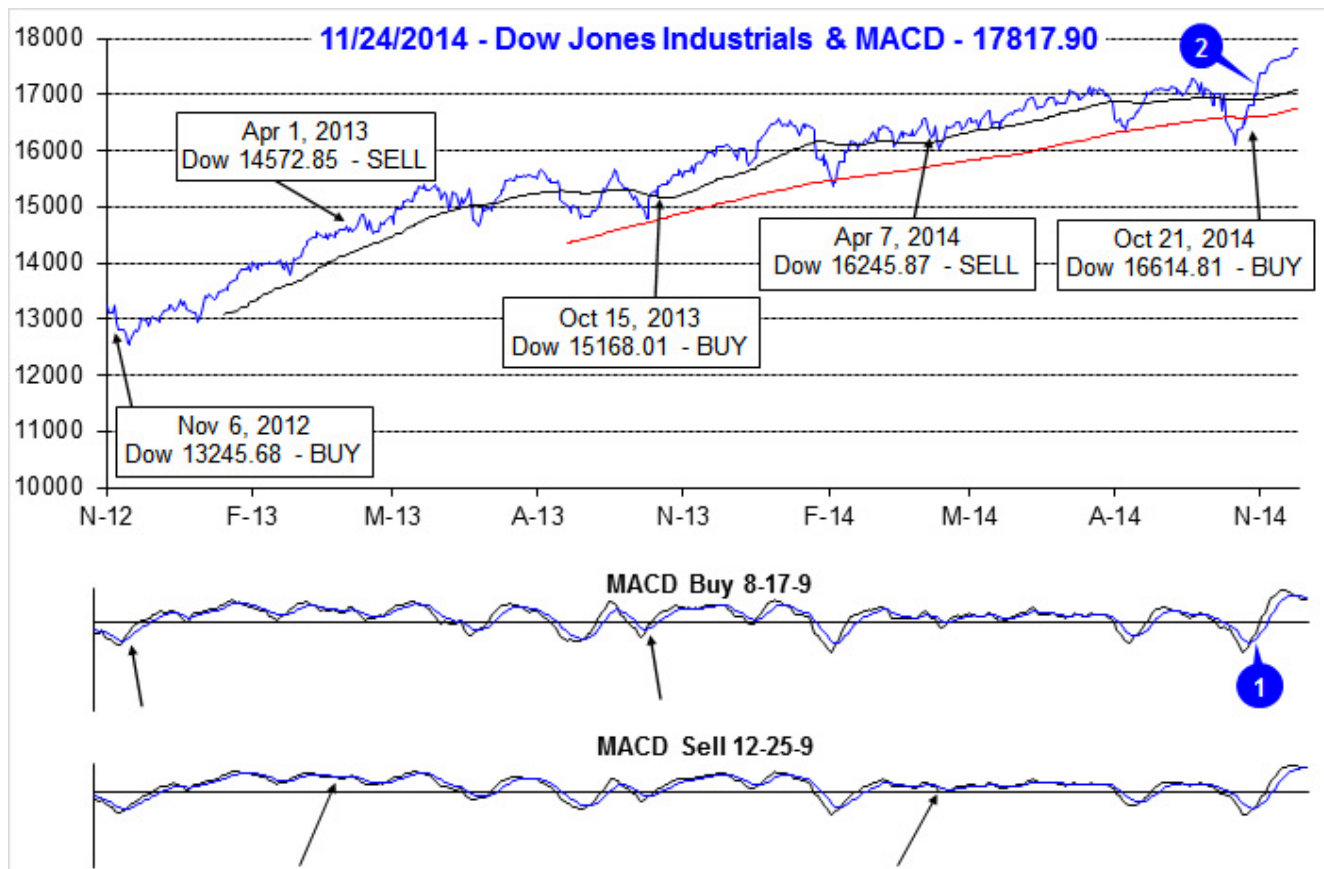
Expect a high most likely in the first half of 2015 around Dow 19000, S&P 2250 and NASDAQ 5000, slightly higher or lower than NASDAQ's all-time high. Then look for a move sideways to slightly higher throughout 2015 with an ultimate high near yearend 2015.

In the meantime try to scalp some profits off the [Thanksgiving trade](#).

Remember to be thankful and have a great holiday!

## Pulse of the Market

In the five weeks since issuing our [Seasonal MACD Buy Signal on October 21](#), when the faster moving MACD indicator turned positive (1), DJIA gained 7.2% through yesterday's close. This gain represents nearly DJIA's entire gains year-to-date of 7.5%. Since October 21, S&P 500 has climbed 6.6%, NASDAQ 7.6% and the Russell 2000 6.7%. During the recent rally, DJIA (2), S&P 500 and NASDAQ have all solidly broken out to new highs.



After declining in five of six weeks from early September to mid-October, DJIA (3), S&P 500 (4) and NASDAQ (5) have been up five consecutive weeks. The current streak is beginning to resemble last's years market performance when DJIA and S&P 500 went eight straight weeks with gains (that streak also began in mid-October) and finished the year by advancing in ten of twelve weeks. NASDAQ was slightly weaker closing out 2013 with four losing weeks. A similar end to 2014 is quite probable.

As the pace of weekly gains has slowed, the number of Weekly NYSE Advancers has shrunk modestly while Weekly NYSE Decliners have ticked up (6). This is rather typical market behavior. Less common market behavior can be seen during the weeks ending November 14, September 19 and September 5. During those weeks, Weekly Decliners outnumbered Weekly Advancers while DJIA, S&P 500 and NASDAQ advanced. Were it not for the shaky performance of many commodity-related stocks recently, these divergences would warrant additional concern. Should energy and precious metals begin to rally and this divergence remains, then the rally would be in jeopardy.

The recent three-week trend in New Highs and New Lows (7) is somewhat mixed and is also likely being influenced by energy and precious metals related issues. With major indices trading at or near new highs, New Highs should be climbing and New Lows steadily shrinking. This has not been happening. New Lows are essentially holding steady while New Highs are declining. Here again, this trend most likely needs to be considered within the context of precious metals and energy stocks.

[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 |
|-----------|----------|-----------------|---------------------|----------------------|---------|---------------|---------|---------------|----------|-----------|----------------|---------------|---------------------|--------------------|------------------|
| 11-Jul-14 | 16943.81 | -124.45         | +28.74              | +111.61              | 1967.57 | -0.9%         | 4415.49 | -1.6%         | 1173     | 2070      | 309            | 60            | 0.60                | 0.03               | 4.19             |
| 18-Jul-14 | 17100.18 | +156.37         | +123.37             | -48.45               | 1978.22 | 0.5%          | 4432.15 | 0.4%          | 1679     | 1538      | 386            | 62            | 0.57                | 0.02               | 4.16             |
| 25-Jul-14 | 16960.57 | -139.61         | -123.23             | +22.02               | 1978.34 | 0.006%        | 4449.56 | 0.4%          | 1503     | 1720      | 435            | 91            | 0.60                | 0.03               | 4.12             |
| 1-Aug-14  | 16493.37 | -467.20         | -69.93              | +75.91               | 1925.15 | -2.7%         | 4352.64 | -2.2%         | 484      | 2772      | 260            | 191           | 0.68                | 0.03               | 4.13             |
| 8-Aug-14  | 16553.93 | +60.56          | +185.66             | +16.05               | 1931.59 | 0.3%          | 4370.90 | 0.4%          | 1987     | 1239      | 106            | 196           | 0.69                | 0.03               | 4.14             |
| 15-Aug-14 | 16662.91 | +108.98         | -50.67              | +175.83              | 1955.06 | 1.2%          | 4464.93 | 2.2%          | 2318     | 909       | 234            | 79            | 0.62                | 0.04               | 4.08             |
| 22-Aug-14 | 17001.22 | +338.31         | -38.27              | +75.65               | 1988.40 | 1.7%          | 4538.55 | 1.6%          | 2318     | 914       | 405            | 52            | 0.54                | 0.03               | 4.08             |
| 29-Aug-14 | 17098.45 | +97.23          | +18.88              | -30.89               | 2003.37 | 0.8%          | 4580.27 | 0.9%          | 2168     | 1058      | 428            | 42            | 0.59                | 0.03               | 3.98             |
| 5-Sep-14  | 17137.36 | +38.91          | +67.78              | -25.94               | 2007.71 | 0.2%          | 4582.90 | 0.06%         | 1371     | 1837      | 402            | 52            | 0.64                | 0.03               | 4.03             |
| 12-Sep-14 | 16987.51 | -149.85         | -61.49              | +43.63               | 1985.54 | -1.1%         | 4567.60 | -0.3%         | 718      | 2528      | 219            | 123           | 0.60                | 0.02               | 4.13             |
| 19-Sep-14 | 17279.74 | +292.23         | +13.75              | -107.06              | 2010.40 | 1.3%          | 4579.79 | 0.3%          | 1604     | 1622      | 209            | 187           | 0.60                | 0.02               | 4.21             |
| 26-Sep-14 | 17113.15 | -166.59         | +167.35             | -41.93               | 1982.85 | -1.4%         | 4512.19 | -1.5%         | 646      | 2592      | 88             | 315           | 0.69                | 0.01               | 4.10             |
| 3-Oct-14  | 17009.69 | -103.46         | +208.64             | -17.78               | 1967.90 | -0.8%         | 4475.62 | -0.8%         | 1235     | 2012      | 92             | 445           | 0.65                | 0.02               | 4.00             |
| 10-Oct-14 | 16544.10 | -465.59         | -115.15             | -223.03              | 1906.13 | -3.1%         | 4276.24 | -4.5%         | 801      | 2453      | 103            | 565           | 0.72                | 0.01               | 3.92             |
| 17-Oct-14 | 16380.41 | -163.69         | +263.17             | +19.26               | 1886.76 | -1.0%         | 4258.44 | -0.4%         | 2000     | 1250      | 89             | 813           | 0.75                | 0.02               | 3.83             |
| 24-Oct-14 | 16805.41 | +425.00         | +127.51             | +12.53               | 1964.58 | 4.1%          | 4483.72 | 5.3%          | 2577     | 692       | 214            | 101           | 0.63                | 0.02               | 3.93             |
| 31-Oct-14 | 17390.52 | +585.11         | +195.10             | -24.28               | 2018.05 | 2.7%          | 4630.74 | 3.3%          | 2440     | 813       | 441            | 156           | 0.62                | 0.02               | 3.92             |
| 7-Nov-14  | 17573.93 | +183.41         | +19.46              | +39.81               | 2031.92 | 0.7%          | 4632.53 | 0.04%         | 1798     | 1451      | 540            | 172           | 0.63                | 0.03               | 3.90             |
| 14-Nov-14 | 17634.74 | +60.81          | -18.05              | +13.01               | 2039.82 | 0.4%          | 4688.54 | 1.2%          | 1534     | 1726      | 458            | 116           | 0.60                | 0.02               | 3.95             |
| 21-Nov-14 | 17810.06 | +175.32         | +91.06              | +7.84                | 2063.50 | 1.2%          | 4712.97 | 0.5%          | 1949     | 1287      | 401            | 123           | 0.53                | 0.02               | 3.96             |

**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

## Selected November 2014 Articles

### December Almanac: Holiday Cheer Drives Market Higher

By Jeffrey A. Hirsch & Christopher Mistal

December is the number one S&P 500 month and the second best month on the Dow Jones Industrials since 1950, averaging gains of 1.7% on each index. It's also the top Russell 1000 and Russell 2000 (1979) month and second best for NASDAQ (1971). Rarely does the market fall precipitously in December. When it does it is usually a turning point in the market—near a top or bottom. If the market has experienced fantastic gains leading up to December, stocks can pullback.

Trading in December is holiday inspired and fueled by a buying bias throughout the month. However, the first part of the month tends to be weaker as tax-loss selling and yearend portfolio restructuring begins. Regardless, December is laden with market seasonality and important events.

Small caps tend to start to outperform larger caps near the [middle of the month](#) (early January Effect) and our "Free Lunch" strategy is served from the offerings of stocks making new 52-week lows on Triple-Witching Friday. An *Almanac Investor Alert* will be sent prior to the open on December 22 containing "Free Lunch" stock selections. The "Santa Claus Rally" begins on the open on Christmas Eve day and lasts until the second trading day of 2015. Average S&P 500 gains over this seven trading-day range since 1969 are an impressive 1.5%.

This is the first indicator for the market in the New Year. Years when the Santa Claus Rally (SCR) has failed to materialize are often flat or down. The last four times SCR (the last five trading days of the year and the first two trading days of the New Year) has not occurred were followed by two flat years (1994 and 2004) and two nasty bear markets in 2000 and 2008. As Yale Hirsch's now famous line states, "If Santa Claus should fail to call, bears may come to Broad and Wall."

In the last sixteen midterm years, December's rankings slip modestly to #3 S&P 500 (1.9%) and DJIA (1.6%) and #4 NASDAQ (0.8% since 1974). Small caps, measured by the Russell 2000, also perform well in midterm Decembers. Since 1982, the Russell 2000 has lost ground just twice in eight midterm years in December. The average small cap gain in all eight years is a solid 1.6%. In 2010, Russell 2000 gained 7.8% in December.

December Triple Witching Week is more favorable to the S&P 500 with Monday up ten of the last fourteen years while Triple-Witching Friday is up twenty-three of the last thirty-two years with an average 0.4% gain. The entire week has logged gains twenty-four times in the last thirty years. The week after December Triple Witching is the best of all weeks after Triple Witching for DJIA and is the only one with a clearly bullish bias, advancing in twenty-two of the last thirty-two years. However, three straight years of declines from 2006-2008 and 2012 have tempered its bullish bias. Small caps shine especially bright with a string of bullish days that runs from December 16 to 26.

Trading the day before and the day after Christmas is generally bullish across the board with the greatest gains coming from the day before (DJIA up six of the last seven). On the last trading day of the year, NASDAQ has been down in eleven of the last fourteen years after having been up twenty-nine years in a row from 1971 to 1999. DJIA, S&P 500, and Russell 1000 have also been struggling recently and exhibit a bearish bias over the last twenty-one years. Russell 2000's record very closely resembles NASDAQ, gains every year from 1979 to 1999 and only four advances since.

| December (1950-2013)                                |     |       |        |            |            |
|---|-----|-------|--------|------------|------------|
|   | DJI | SP500 | NASDAQ | Russell 1K | Russell 2K |
| Rank  | 2   | 1     | 2      | 1          | 1          |
| # Up  | 46  | 49    | 46     | 28         | 28         |
| # Down  | 18  | 15    | 17     | 7          | 7          |
| Average %   | 1.7 | 1.7   | 2.0    | 1.7        | 2.8        |
| 4-Year Presidential Election Cycle Performance by % |     |       |        |            |            |
| Post-Election                                       | 1.0 | 0.5   | 1.0    | 1.3        | 2.5        |
| Mid-Term  | 1.6 | 1.9   | 0.8    | 1.3        | 1.6        |
| Pre-Election  | 3.0 | 3.2   | 4.9    | 3.5        | 4.0        |
| Election  | 1.3 | 1.2   | 1.4    | 0.7        | 3.0        |

| Best & Worst December by %                      |          |                   |          |                      |          |                |          |                              |          |                             |
|---|----------|-------------------|----------|----------------------|----------|----------------|----------|------------------------------|----------|-----------------------------|
| Best  | 1991     | 9.5               | 1991     | 11.2                 | 1999     | 22.0           | 1991     | 11.2                         | 1999     | 11.2                        |
| Worst   | 2002     | -6.2              | 2002     | -6.0                 | 2002     | -9.7           | 2002     | -5.8                         | 2002     | -5.7                        |
| December Weeks by %                             |          |                   |          |                      |          |                |          |                              |          |                             |
| Best  | 12/2/11  | 7.0               | 12/2/11  | 7.4                  | 12/8/00  | 10.3           | 12/2/11  | 7.4                          | 12/2/11  | 10.3                        |
| Worst   | 12/4/87  | -7.5              | 12/6/74  | -7.1                 | 12/15/00 | -9.1           | 12/4/87  | -7.0                         | 12/12/80 | -6.5                        |
| December Days by %                              |          |                   |          |                      |          |                |          |                              |          |                             |
| Best  | 12/16/08 | 4.2               | 12/16/08 | 5.1                  | 12/5/00  | 10.5           | 12/16/08 | 5.2                          | 12/16/08 | 6.7                         |
| Worst   | 12/1/08  | -7.7              | 12/1/08  | -8.9                 | 12/1/08  | -9.0           | 12/1/08  | -9.1                         | 12/1/08  | -11.9                       |
| First Trading Day of Expiration Week: 1990-2013 |          |                   |          |                      |          |                |          |                              |          |                             |
| #Up-#Down                                       |          | 14-10             |          | 14-10                |          | 12-12          |          | 14-10                        |          | 13-11                       |
| Streak  |          | U2                |          | U2                   |          | U2             |          | U2                           |          | U2                          |
| Avg %   |          | 0.1               |          | 0.06                 |          | 0.001          |          | 0.04                         |          | -0.1                        |
| Options Expiration Day: 1990-2013               |          |                   |          |                      |          |                |          |                              |          |                             |
| #Up-#Down                                       |          | 15-9              |          | 17-7                 |          | 16-8           |          | 17-7                         |          | 14-10                       |
| Streak  |          | U1                |          | U1                   |          | U1             |          | U1                           |          | U1                          |
| Avg %   |          | 0.2               |          | 0.2                  |          | 0.3            |          | 0.2                          |          | 0.5                         |
| Options Expiration Week: 1990-2013              |          |                   |          |                      |          |                |          |                              |          |                             |
| #Up-#Down                                       |          | 19-5              |          | 19-5                 |          | 16-8           |          | 18-6                         |          | 14-10                       |
| Streak  |          | U2                |          | U2                   |          | U2             |          | U2                           |          | U2                          |
| Avg %   |          | 0.7               |          | 0.7                  |          | 0.1            |          | 0.6                          |          | 0.6                         |
| Week After Options Expiration: 1990-2013        |          |                   |          |                      |          |                |          |                              |          |                             |
| #Up-#Down                                       |          | 16-8              |          | 14-10                |          | 14-10          |          | 14-10                        |          | 17-7                        |
| Streak  |          | U1                |          | U1                   |          | U1             |          | U1                           |          | U1                          |
| Avg %   |          | 0.7               |          | 0.6                  |          | 0.7            |          | 0.6                          |          | 0.9                         |
| December 2014 Bullish Days: Data 1993-2013      |          |                   |          |                      |          |                |          |                              |          |                             |
|   |          | 3, 16, 22, 23, 26 |          | 3, 9, 16, 22, 23, 26 |          | 1-3, 22-24, 26 |          | 3, 9, 16, 22, 23, 26, 29, 30 |          | 1, 2, 8, 16-19, 22, -24, 26 |
| December 2014 Bearish Days: Data 1993-2013      |          |                   |          |                      |          |                |          |                              |          |                             |
|   |          | None              |          | 31                   |          | 5, 17          |          | 18                           |          | 15                          |

## December 2014 Strategy Calendar

By Christopher Mistal

## [December 2014 Strategy Calendar](#)

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

# DECEMBER 2014

**Start:** Oil (L)

**In Play:** Biotech (L), High-Tech (L), Consumer (L), Banking (L),  
Broker/Dealer (L), Computer Tech (L), Cyclical (L), Healthcare (L),

Materials (L), Pharmaceutical (L), Real Estate (L), Transports (L)

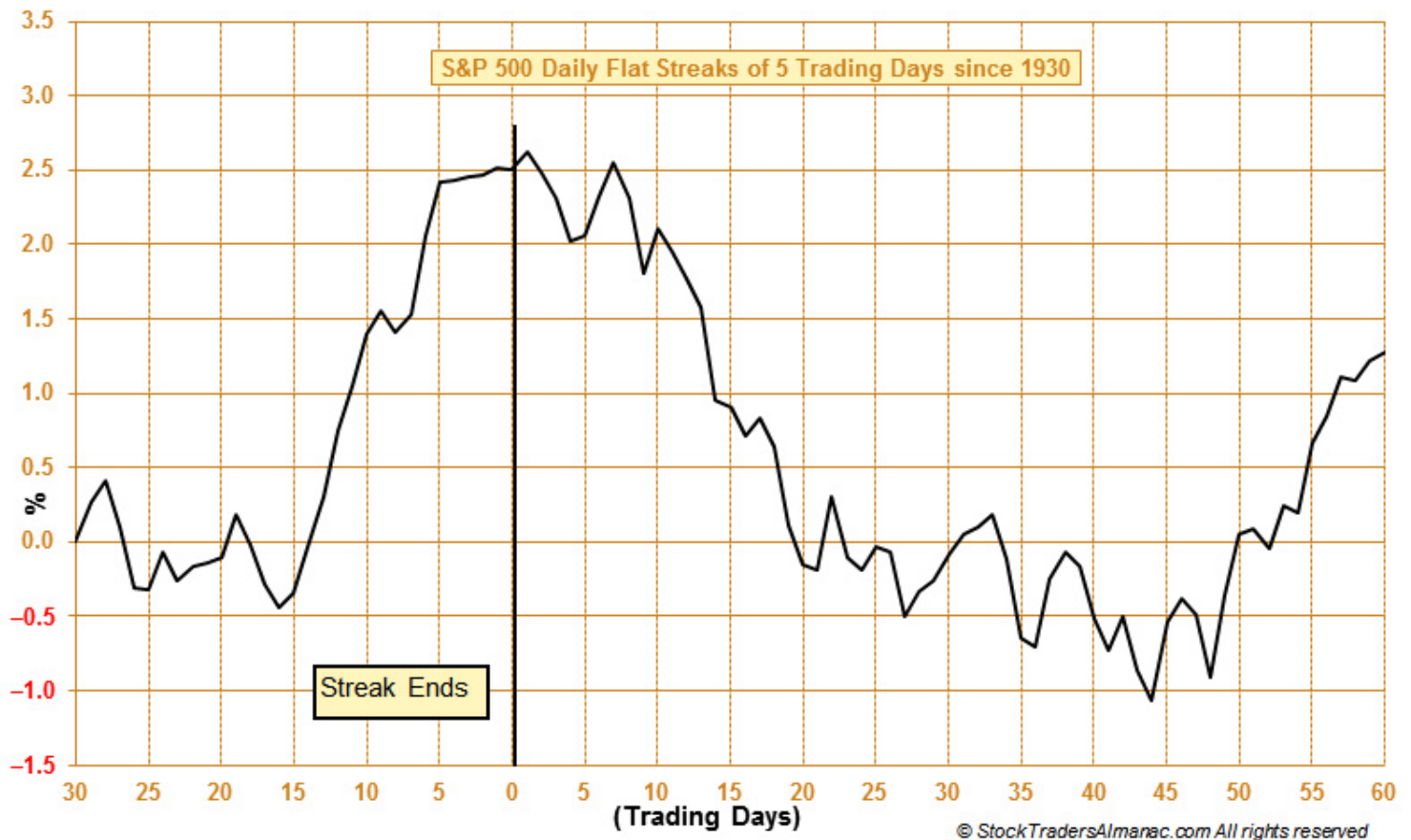
**Finish:** Gold & Silver (L), Semiconductor (L), Telecom (L)

| MONDAY  | TUESDAY   | WEDNESDAY  | THURSDAY   | FRIDAY   | SAT       | SUN       |  |
|---|---|--|--|--|-----------|-----------|--|
| <b>1</b><br><br><b>1st Trading Day<br/>NASDAQ Up 19<br/>of Last 27</b><br><br>ISM Index<br>Semiconductor Billings                             | <b>2</b><br><br>Construction Spending<br>Vehicle Sales  | <b>3</b><br><br><b>Small Cap Strength Starts in Mid-December</b><br><br>Beige Book<br>ISM Non-Mfg. Index<br>Productivity and Costs                     | <b>4</b><br><br>Chain Store Sales  | <b>5</b><br><br>Consumer Debt<br>ECRI Future Inflation Index<br>Employment Rate<br>Factory Orders<br>Int'l Trade Deficit | <b>6</b>  | <b>7</b>  |  |
| <b>8</b>  | <b>9</b><br><br><b>Average December Performance Last 21 Years:</b><br>Dow: 1.5%<br>Up 16 Down 5<br>Rank #4                  | <b>10</b><br><br>S&P: 1.5%<br>Up 17 Down 4<br>Rank #4  | <b>11</b><br><br>NAS: 2.0%<br>Up 12 Down 9<br>Rank #2<br><br>Business Inventories<br>Import/Export Prices<br>Retail Sales  | <b>12</b><br><br>PPI<br>U Mich Consumer Sentiment  | <b>13</b> | <b>14</b> |  |
| <b>15</b><br><br><b>Monday Before<br/>Expiration, S&amp;P 500 Up<br/>10 of Last 14</b><br><br>Industrial Production<br>NAHB Housing Mkt Index | <b>16</b><br><br>Housing Starts   | <b>17</b> <b>Chanukah</b><br><br><b>Triple Witching Week, S&amp;P 500 Up 24 of Last 30<br/>Watch for the Santa Claus Rally to Begin on December 24</b> | <b>18</b><br><br>Leading Indicators<br>Philadelphia Fed Survey<br>SEMI Book to Bill Ratio  | <b>19</b><br><br><b>Triple Witching Day<br/>S&amp;P 500 Up 23 of 32<br/>Average Gain 0.4%</b>                            | <b>20</b> | <b>21</b> |  |
| <b>22</b><br><br><b>FREE LUNCH is Served<br/>Email Alert Before Open</b><br><br>Existing Home Sales   | <b>23</b><br><br>Durable Goods<br>GDP - Q3 Final<br>New Home Sales<br>Personal Income/Spending<br>U Mich Consumer Sentiment | <b>24</b><br><br><b>(Shortened Trading Day)</b><br><br><b>Day Before Christmas<br/>DJIA up 5 of Last 6</b>   | <b>25</b><br><br><b>Christmas<br/>(Market Closed)</b>  | <b>26</b>  | <b>27</b> | <b>28</b> |  |
| <b>29</b>   | <b>30</b><br><br>Agricultural Prices<br>Consumer Confidence   | <b>31</b><br><br><b>Last Trading Day 2014,<br/>NASDAQ Down 11<br/>of Last 14, Was Up 29<br/>Years 1971-1999</b><br><br>ISM-Chicago                     | *Tuesdays: Wkly Chain Store Sales<br>& Avg Hourly Earnings<br>*Wednesdays: Oil & Gas Inventories<br>*Thursdays: Weekly Unemployment Report, Weekly<br>Mutual Fund Flows & Weekly Natural Gas Storage Report<br>*Fridays: Weekly Leading Economic Index<br>*Except holidays |  |           |           |  |
| <i>Economic release dates obtained from sources believed to be reliable. All dates subject to change.</i>                                     |   | Bull symbol signifies a favorable day based on the S&P 500 Rising 60% or more of the time on a particular trading day 1993-2013                        | Bear symbol signifies an unfavorable day based on the S&P 500 Falling 60% or more of the time on a particular trading day 1993-2013  |  |           |           |  |

### Dull Market Produces New Highs and Solid Gains

By Christopher Mistal

Anyone that pays attention to the market probably noticed just how boring it had been during the five trading days before today's session. In those five previous trading sessions, S&P 500 did not climb or fall greater than a meager 0.1% each day on a closing basis. Digging through our S&P 500 database that starts in 1930, only three other times in history has this occurred; July 1956, January-February 1965 and January 1969. No streak lasted longer than the current five days. Given this is just the fourth time in over eight decades of trading; it goes without saying that this is a rare occurrence. The 30 trading days before and 60 trading days after the previous three streaks ended have been combined into the following chart.



Based solely upon the past three 5-day flat streaks, it would appear that the market is poised for a pullback of about 4% over the next two months (one month being typically 21 trading days). However, this is based upon just three data points and all three do not have a lot in common with today's streak. None of the previous streaks occurred near yearend or in a midterm year. The January 1969 streak was actually in the middle of a bear market in which the S&P 500 shed 36.1% from November 1968 to May of 1970. The 1965 streak occurred in the middle of a bull market that lasted another year. Only the July 1956 streak hints at trouble as it came just weeks before a nearly three-year old bull market came to an end.

So should we be worried about this rare, low volatility streak? Most likely not. For starters, the market was due for a pause or period of consolidation following its brisk v-shaped recovery from its October pullback that was nearly 10%. Global economic fundamentals are tepid (and have been for quite some time), but the U.S. economy is still chugging along outperforming most, if not all, other developed nation economies. As long as this persists, there are not many reasons why the U.S. stock market should not continue to outperform and trade at new all-time highs.

## Stock Portfolio Updates

Since last update in mid-October S&P 500 surged 7.2% through yesterday's close. Russell 2000 jumped 6.3% over the same period while collectively the three *Almanac Investor* Stock Portfolios gained 3.7%. Our Small- and Mid-Cap portfolios underperformed the broader market indices while the Large-Cap portfolio substantially outperformed, gaining 13.4% over the past four weeks. Sizable cash balances in the Small- and Mid-Cap portfolios limited their gains while the negative cash balance of the Large-cap portfolio is identical to using margin.

With the exception of **Wabash National** (WNC) and **Alpha Pro Tech** (APT), gains were broad-based across the portfolio. WNC was stopped out on October 29 when it reported earnings that came up short of expectations. APT, last update's big winner, fell back to Earth and was stopped out on October 31. Shares had soared with Ebola concerns, but as worries faded, so did APT. Since some profits had already been taken when APT previously doubled, the position was closed out for a total gain of 66.9%. Should APT silently slip back under the radar and trade back below its original presented price, it would be worth a second look, but not until then. Also note that **Cambrex Corp** (CBM) has also been closed out of the Small-cap portfolio as it did close below its stop loss on October 14.

From [last month's update](#), all six previously stopped out positions have been re-established in their respective portfolios. PKOH, JBLU, LAD, CAR, SXL and STLD were deemed solid stocks deserving of a second chance last month. As of yesterday's close, these six positions had an average 9.5% gain, proving thus far their worthiness.

Unfortunately, **Bel Fuse Inc-B** (BELFB) and **Kroger Co** (KR) never traded below their respective buy limits. Rather than give chase, both of these trade ideas are cancelled as they have both run away.

With markets pressing new highs today, all positions are currently on Hold. Typical early-December weakness may afford the opportunity to add to existing positions at better prices than available today and around mid-December we will be on the lookout for the beginning of the January Effect (page 110 of STA15). Shortly thereafter we may put the excess cash to work when the Free Lunch basket of bargain stocks (page 112 STA15) is compiled and emailed before the market's open on December 22.

[Click image to view full size...](#)

### Almanac Investor Small-Cap Stock Portfolio

| Ticker                            | Company                        | Presented |       | 11/17/2014 |             | Net %<br>Return *** | Buy<br>Limit <sup>1</sup> | Stop<br>Loss <sup>1</sup> | Current Advice <sup>1</sup>    |
|-----------------------------------|--------------------------------|-----------|-------|------------|-------------|---------------------|---------------------------|---------------------------|--------------------------------|
|                                   |                                | Date      | Price | Price      | Value ***   |                     |                           |                           |                                |
| NEWT                              | Newtek Bus Svcs <sup>*</sup>   | 10/18/12  | 10.10 | 13.47      | \$1,333.66  | 33.4%               |                           | 11.90                     | Hold, 1:5 Stock Split on 10/23 |
| RGEN                              | Repligen <sup>2</sup>          | 10/18/12  | 5.56  | 23.40      | \$2,104.32  | 210.4%              |                           | 18.02                     | Hold                           |
| CBM                               | Cambrex Corp                   | 7/16/13   | 14.25 | 22.86      | Closed      | 18.4%               |                           |                           | Stopped Out 10/14 @ 16.87      |
| OMCL                              | Omnicell                       | 7/16/13   | 23.50 | 32.15      | \$2,736.17  | 36.8%               |                           |                           | Hold                           |
| IMOS                              | Chipmos Technologies           | 10/17/13  | 17.10 | 21.13      | \$2,471.35  | 23.6%               |                           | 19.06                     | Hold                           |
| HA                                | Hawaiian Holdings <sup>2</sup> | 10/17/13  | 8.02  | 18.27      | \$2,278.05  | 113.9%              |                           | 14.07                     | Hold                           |
| WNC                               | Wabash National                | 10/17/13  | 12.19 | 10.99      | Closed      | -7.8%               |                           |                           | Stopped Out 10/29 @ 11.24      |
| APT                               | Alpha Pro Tech <sup>2</sup>    | 8/19/14   | 2.55  | 2.81       | Closed      | 66.9%               |                           |                           | Stopped Out 10/31 @ 3.41       |
| BELFB                             | Bel Fuse Inc-B                 | 8/19/14   | 22.10 | 26.78      | Ran Away    |                     |                           |                           | Ran Away                       |
| IIIN                              | Insteel Inds                   | 8/19/14   | 21.15 | 23.69      | \$2,240.19  | 12.0%               |                           | 18.24                     | Hold                           |
| LDL                               | Lydall Inc                     | 8/19/14   | 27.90 | 28.64      | \$2,053.05  | 2.7%                |                           | 22.05                     | Hold                           |
| SXI                               | Standex Intl Co                | 8/19/14   | 71.30 | 78.95      | \$2,214.59  | 10.7%               |                           | 60.79                     | Hold                           |
| PKOH                              | Park-Ohio Holdings             | 10/21/14  | 48.94 | 56.73      | \$2,318.35  | 15.9%               |                           | 43.68                     | Hold, Added 10/21 @ 48.94      |
| Cash From Half & Closed Positions |                                |           |       |            | \$54,211.14 |                     |                           |                           |                                |
| Total Portfolio Value             |                                |           |       |            | \$73,960.86 |                     |                           |                           |                                |
| Open Position Average % Return    |                                |           |       |            | 51.0%       |                     |                           |                           |                                |
| % Change from 10/20/2014          |                                |           |       |            | 1.8%        |                     |                           |                           |                                |
| % Change 1-Year                   |                                |           |       |            | 8.5%        |                     |                           |                           |                                |
| Portfolio % Gain Since 10/18/2012 |                                |           |       |            | 26.0%       |                     |                           |                           |                                |

### Almanac Investor Mid-Cap Stock Portfolio

| Ticker                            | Company            | Presented |        | 11/17/2014 |             | Net %<br>Return *** | Buy<br>Limit <sup>1</sup> | Stop<br>Loss <sup>1</sup> | Current Advice <sup>1</sup> |
|-----------------------------------|--------------------|-----------|--------|------------|-------------|---------------------|---------------------------|---------------------------|-----------------------------|
|                                   |                    | Date      | Price  | Price      | Value ***   |                     |                           |                           |                             |
| UHAL                              | Amerco Inc         | 10/17/13  | 197.81 | 282.13     | \$2,852.54  | 42.6%               |                           | 237.38                    | Hold                        |
| GPI                               | Group 1 Automotive | 2/20/14   | 62.71  | 86.28      | \$2,751.71  | 37.6%               |                           | 71.61                     | Hold                        |
| JBLU                              | Jetblue Airways    | 10/21/14  | 11.23  | 12.38      | \$2,204.81  | 10.2%               |                           | 10.28                     | Hold, Added 10/22 @ 11.23   |
| LAD                               | Lithia Motors      | 10/21/14  | 70.21  | 73.22      | \$2,085.74  | 4.3%                |                           | 60.77                     | Hold, Added 10/22 @ 70.21   |
| Cash From Half & Closed Positions |                    |           |        |            | \$14,063.14 |                     |                           |                           |                             |
| Total Portfolio Value             |                    |           |        |            | \$23,957.94 |                     |                           |                           |                             |
| Open Position Average % Return    |                    |           |        |            | 23.7%       |                     |                           |                           |                             |
| % Change from 10/20/2014          |                    |           |        |            | 4.2%        |                     |                           |                           |                             |
| % Change 1-Year                   |                    |           |        |            | 5.3%        |                     |                           |                           |                             |
| Portfolio % Gain Since 10/18/2012 |                    |           |        |            | 26.1%       |                     |                           |                           |                             |

### Almanac Investor Large-Cap Stock Portfolio

| Ticker                            | Company                                | Presented |        | 11/17/2014 |             | Net %<br>Return *** | Buy<br>Limit <sup>1</sup> | Stop<br>Loss <sup>1</sup> | Current Advice <sup>1</sup> |
|-----------------------------------|--|-----------|--------|------------|-------------|---------------------|---------------------------|---------------------------|-----------------------------|
|                                   |  | Date      | Price  | Price      | Value ***   |                     |                           |                           |                             |
| ALL                               | Allstate Corp                          | 10/18/12  | 42.62  | 66.66      | \$1,564.05  | 56.4%               |                           | 58.66                     | Hold                        |
| GIL                               | Gildan Activewear                      | 8/20/13   | 44.75  | 59.47      | \$1,328.94  | 32.9%               |                           | 50.69                     | Hold                        |
| FNF                               | Fidelity National Finance <sup>*</sup> | 10/17/13  | 20.87  | 30.39      | \$2,277.26  | 32.9%               |                           | 25.83                     | Hold                        |
| SCCO                              | Southern Copper                        | 12/10/13  | 25.20  | 30.38      | \$2,411.11  | 20.6%               |                           | 27.57                     | Hold                        |
| IEP                               | Icahn Enterpris                        | 8/19/14   | 107.10 | 104.80     | \$1,957.05  | -2.1%               |                           | 91.04                     | Hold                        |
| KR                                | Kroger Co                              | 8/19/14   | 49.59  | 58.29      | Ran Away    |                     |                           |                           | Ran Away                    |
| PII                               | Polaris Indus                          | 8/19/14   | 149.67 | 153.70     | \$2,053.85  | 2.7%                |                           | 130.65                    | Hold                        |
| UAL                               | United Cont Hld                        | 8/19/14   | 44.09  | 55.99      | \$2,539.80  | 27.0%               |                           | 47.59                     | Hold                        |
| UNH                               | Unitedhealth Gp                        | 8/19/14   | 82.04  | 96.47      | \$2,351.78  | 17.6%               |                           | 82.00                     | Hold                        |
| CAR                               | Avis Budget Grp                        | 10/21/14  | 51.92  | 58.78      | \$2,264.25  | 13.2%               |                           | 49.96                     | Hold, Added 10/22 @ 51.92   |
| SXL                               | Sunoco Logistic                        | 10/21/14  | 45.49  | 50.24      | \$2,208.84  | 10.4%               |                           | 42.70                     | Hold, Added 11/4 @ 45.49    |
| STLD                              | Steel Dynamics                         | 10/21/14  | 22.00  | 22.64      | \$2,058.18  | 2.9%                |                           | 19.24                     | Hold, Added 10/21 @ 21.90   |
| Cash From Half & Closed Positions |  |           |        |            | -\$7,527.38 |                     |                           |                           |                             |
| Total Portfolio Value             |  |           |        |            | \$15,487.74 |                     |                           |                           |                             |
| Open Position Average % Return    |  |           |        |            | 19.5%       |                     |                           |                           |                             |
| % Change from 10/20/2014          |  |           |        |            | 13.4%       |                     |                           |                           |                             |
| % Change 1-Year                   |  |           |        |            | 27.7%       |                     |                           |                           |                             |
| Portfolio % Gain Since 10/18/2012 |  |           |        |            | 40.8%       |                     |                           |                           |                             |

### Almanac Investor Stock Portfolios Since Inception — July 2001 Through November 17, 2014

|  |              |
|--|--------------|
| Cash From Half & Closed Positions            | \$60,746.91  |
| Total Portfolio Value                        | \$113,406.55 |
| Open Position Average % Return               | 32.0%        |
| % Change from 9/22/2014                      | 3.7%         |
| % Change 1-Year                              | 10.0%        |
| Portfolio % Gain Since Inception - July 2001 | 415.5%       |

<sup>1</sup> STANDARD POLICY: SELL HALF ON A DOUBLE, Buy Limits good til cancel, Stop only if closed below Stop Loss

<sup>2</sup> Half position, \* Adjusted, \*\* Canadian Dollars, (S) = Short Trade

\*\*\* 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, or the accounts they control, held positions in BELFB, IEP, IIIN, JBLU, KR, LAD, LDL, PII, STLD, SXI, UAL and UNH.

### Today's crap

By Jeffrey A. Hirsch

Full Alert content

### Trading the Thanksgiving Market, Santa Claus Rally and the January Effect

By Jeffrey A. Hirsch & Christopher Mistal

It's that time of year again when money managers start chasing returns and financial commentators bellow "Santa Claus Rally" ad nauseum though most don't know what the Santa Claus Rally truly is. They think the Santa Claus Rally is any stock market rally from Halloween to January. It's not. It is a very specific timeframe. I'll explain in a moment. As the market is set to perform its perennial yearend rally let's examine some of the usual action and trading opportunities.

First, let's talk turkey. Featured on page 104 of the hot-off-the-press [Stock Trader's Almanac 2015](#) is the DJIA's trading pattern during Thanksgiving week. Trading around Thanksgiving has a bullish tendency perhaps buoyed by the "holiday spirit" that was first published in the 1987 Stock Trader's Almanac. For 35 years prior to 1987, the Wednesday before and the Friday after Thanksgiving combined were up 33 times. The only declines were in 1964 and 1965.

Subsequently, this trend changed. In the 27 years since 1987, there have been 11 declines and 16 advances. The best short-term trade appears to go long into weakness next week or on Monday of Thanksgiving week and selling into any subsequent rally by the end of Thanksgiving week, but remain nimble as events like Greece's debt crisis in 2011 can cancel Thanksgiving on Wall Street.



## DJIA Performance Thanksgiving Week to Yearend

| Year | Mon     | Tues    | Wed     | Date   | Friday   | Pnt Chg | Wed+Fri | YR-Close | Fri-YD |
|------|---------|---------|---------|--------|----------|---------|---------|----------|--------|
|      | Pnt Chg | Pnt Chg | Pnt Chg |        | Close    |         |         |          |        |
| 1952 | 1.76    | -0.18   | 1.54    | Nov 28 | 283.66   | 1.22    | 2.76    | 291.90   | 2.9%   |
| 1953 | -0.63   | 1.71    | 0.65    | Nov 27 | 280.23   | 2.45    | 3.10    | 280.90   | 0.2%   |
| 1954 | 1.46    | 3.27    | 1.89    | Nov 26 | 387.79   | 3.16    | 5.05    | 404.39   | 4.3%   |
| 1955 | -5.61   | 4.61    | 0.71    | Nov 25 | 482.88   | 0.26    | 0.97    | 488.40   | 1.1%   |
| 1956 | -6.11   | -4.49   | -2.16   | Nov 23 | 472.56   | 4.65    | 2.49    | 499.47   | 5.7%   |
| 1957 | 1.70    | -9.04   | 10.69   | Nov 29 | 449.87   | 3.84    | 14.53   | 435.69   | -3.2%  |
| 1958 | -14.68  | -4.37   | 8.63    | Nov 28 | 557.46   | 8.31    | 16.94   | 583.65   | 4.7%   |
| 1959 | 1.29    | 2.94    | 1.41    | Nov 27 | 652.52   | 1.42    | 2.83    | 679.36   | 4.1%   |
| 1960 | 0.92    | -3.44   | 1.37    | Nov 25 | 606.47   | 4.00    | 5.37    | 615.89   | 1.6%   |
| 1961 | 0.56    | -0.77   | 1.10    | Nov 24 | 732.60   | 2.18    | 3.28    | 731.14   | -0.2%  |
| 1962 | -4.77   | 6.73    | 4.31    | Nov 23 | 644.87   | 7.62    | 11.93   | 652.10   | 1.1%   |
| 1963 | -21.16  | 32.03   | -2.52   | Nov 29 | 750.52   | 9.52    | 7.00    | 762.95   | 1.7%   |
| 1964 | -1.43   | -1.68   | -5.21   | Nov 27 | 882.12   | -0.28   | -5.49   | 874.13   | -0.9%  |
| 1965 | -6.34   | 2.56    | 0.00    | Nov 26 | 948.16   | -0.78   | -0.78   | 969.26   | 2.2%   |
| 1966 | -11.24  | -3.18   | 1.84    | Nov 25 | 803.34   | 6.52    | 8.36    | 785.69   | -2.2%  |
| 1967 | -4.33   | 13.17   | 3.07    | Nov 24 | 877.60   | 3.58    | 6.65    | 905.11   | 3.1%   |
| 1968 | 4.29    | 8.14    | -3.17   | Nov 29 | 985.08   | 8.76    | 5.59    | 943.75   | -4.2%  |
| 1969 | -10.23  | -5.61   | 3.23    | Nov 28 | 812.30   | 1.78    | 5.01    | 800.36   | -1.5%  |
| 1970 | 5.95    | 5.21    | 1.98    | Nov 27 | 781.35   | 6.64    | 8.62    | 838.92   | 7.4%   |
| 1971 | -7.52   | -5.18   | 0.66    | Nov 26 | 816.59   | 17.96   | 18.62   | 890.20   | 9.0%   |
| 1972 | -0.53   | 8.21    | 7.29    | Nov 24 | 1025.21  | 4.67    | 11.96   | 1020.02  | -0.5%  |
| 1973 | -28.67  | -17.76  | 10.08   | Nov 23 | 854.00   | -0.98   | 9.10    | 850.86   | -0.4%  |
| 1974 | -3.36   | 5.32    | 2.03    | Nov 29 | 618.66   | -0.63   | 1.40    | 616.24   | -0.4%  |
| 1975 | 4.88    | 9.76    | 3.15    | Nov 28 | 860.67   | 2.12    | 5.27    | 852.41   | -1.0%  |
| 1976 | 7.07    | -6.57   | 1.66    | Nov 26 | 956.62   | 5.66    | 7.32    | 1004.65  | 5.0%   |
| 1977 | 0.35    | 6.41    | 0.78    | Nov 25 | 844.42   | 1.12    | 1.90    | 831.17   | -1.6%  |
| 1978 | 7.88    | -1.56   | 2.95    | Nov 24 | 810.12   | 3.12    | 6.07    | 805.01   | -0.6%  |
| 1979 | -0.43   | -6.05   | -1.80   | Nov 23 | 811.77   | 4.35    | 2.55    | 838.74   | 3.3%   |
| 1980 | -11.18  | 3.93    | 7.00    | Nov 28 | 993.34   | 3.66    | 10.66   | 963.99   | -3.0%  |
| 1981 | -1.14   | 18.45   | 7.90    | Nov 27 | 885.94   | 7.80    | 15.70   | 875.00   | -1.2%  |
| 1982 | -21.25  | -9.01   | 9.01    | Nov 26 | 1007.36  | 7.36    | 16.37   | 1046.54  | 3.9%   |
| 1983 | 17.78   | 7.01    | -0.20   | Nov 25 | 1277.44  | 1.83    | 1.63    | 1258.64  | -1.5%  |
| 1984 | -2.65   | 9.83    | 6.40    | Nov 23 | 1220.30  | 18.78   | 25.18   | 1211.57  | -0.7%  |
| 1985 | -7.68   | 0.12    | 18.92   | Nov 29 | 1472.13  | -3.56   | 15.36   | 1546.67  | 5.1%   |
| 1986 | 12.51   | 6.05    | 4.64    | Nov 28 | 1914.23  | -2.53   | 2.11    | 1895.95  | -1.0%  |
| 1987 | 9.45    | 40.45   | -16.58  | Nov 27 | 1910.48  | -36.47  | -53.05  | 1938.83  | 1.5%   |
| 1988 | 3.56    | 11.73   | 14.58   | Nov 25 | 2074.68  | -17.60  | -3.02   | 2168.57  | 4.5%   |
| 1989 | -20.62  | 7.25    | 17.49   | Nov 24 | 2675.55  | 18.77   | 36.26   | 2753.20  | 2.9%   |
| 1990 | 15.10   | -35.15  | 9.16    | Nov 23 | 2527.23  | -12.13  | -2.97   | 2633.66  | 4.2%   |
| 1991 | -0.67   | 14.08   | -16.10  | Nov 29 | 2894.68  | -5.36   | -21.46  | 3168.83  | 9.5%   |
| 1992 | -4.32   | 25.66   | 17.56   | Nov 27 | 3282.20  | 15.94   | 33.50   | 3301.11  | 0.6%   |
| 1993 | -23.76  | 3.92    | 13.41   | Nov 26 | 3683.95  | -3.63   | 9.78    | 3754.09  | 1.9%   |
| 1994 | -45.75  | -91.52  | -3.36   | Nov 25 | 3708.27  | 33.64   | 30.28   | 3834.44  | 3.4%   |
| 1995 | -6.86   | 40.46   | 18.06   | Nov 24 | 5048.84  | 7.23    | 25.29   | 5117.12  | 1.4%   |
| 1996 | 76.03   | -19.38  | -29.07  | Nov 29 | 6521.70  | 22.36   | -6.71   | 6448.27  | -1.1%  |
| 1997 | -113.15 | 41.03   | -14.17  | Nov 28 | 7823.13  | 28.35   | 14.18   | 7908.25  | 1.1%   |
| 1998 | 214.72  | -73.12  | 13.13   | Nov 27 | 9333.08  | 18.80   | 31.93   | 9181.43  | -1.6%  |
| 1999 | 85.63   | -93.89  | 12.54   | Nov 26 | 10988.91 | -19.26  | -6.72   | 11497.12 | 4.6%   |
| 2000 | -167.22 | 31.85   | -95.18  | Nov 24 | 10470.23 | 70.91   | -24.27  | 10786.85 | 3.0%   |
| 2001 | 109.47  | -75.08  | -66.70  | Nov 23 | 9959.71  | 125.03  | 58.33   | 10021.50 | 0.6%   |
| 2002 | 44.56   | -172.98 | 255.26  | Nov 29 | 8896.09  | -35.59  | 219.67  | 8341.63  | -6.2%  |
| 2003 | 119.33  | 13.45   | 15.33   | Nov 23 | 9799.13  | 8.33    | 19.59   | 10453.83 | 3.3%   |

Also of note is the change in the yearend rally. Prior to 1987, from the close of trading on the Friday after Thanksgiving to yearend, the DJIA rallied only 18 times in 35 years. As Thanksgiving bullishness lost steam in 1987, the rally afterwards occurred more frequently. Since 1987, DJIA has logged gains in 22 of 27 years from the close on Friday after Thanksgiving to yearend.

Next week, the week before Thanksgiving, also has a bullish record. DJIA has a better record than S&P 500 and NASDAQ during this pre-holiday week. DJIA is up 16 of the last 21 years the week before Thanksgiving with losses in 2003(-1.4%), 2004 (-0.8%), 2008 (-5.3%), 2011 (-2.9%) and 2012 (-1.8%). It is also options expiration week. Monday of expiration week has been down 9 of the last 15 year for the Dow, but Friday is up 10 of the last 12 years.

Friday after Thanksgiving also happens to be the last trading day of November and the S&P 500 has been up 6 of the last 8 years on the last day of November. Monday, Tuesday and Wednesday of Thanksgiving week are bullish days in our [November 2014 Strategy Calendar](#), so coming into next week long or getting long weakness on Monday viable strategy. You could take any short-term profits and sell into strength by month-end as the first half of December is weaker than the latter due to tax-loss selling. Or let it ride though the yearend and Santa Claus rallies.

## The Real Santa Claus Rally

The proverbial Santa Claus Rally is not the yearend rally as so many mistakenly proclaim, it is as defined page 114 of the [Stock Trader's Almanac 2015](#) is the last 5 trading days of the year and the first two of the New Year. As tax-loss selling abates and retail investors revel in holiday cheer, the pros left on The Street gobble up bargains and drive the S&P up an average of 1.5% over the 7-day period. Yale Hirsch discovered this phenomenon in 1972. But its real value is as an indicator. Santa's failure to show tends to precede bear markets, or times stocks could be purchased later in the year at much lower prices. To wit: "*If Santa Claus should fail to call, bears may come to Broad & Wall.*"

In 1999-2000 the period suffered a horrendous 4.0% loss. On January 14, 2000, the Dow started its 33-month 37.8% slide to the October 2002 midterm election year bottom. NASDAQ cracked eight weeks later falling 37.3% in 10 weeks, eventually dropping 77.9% by October 2002. Saddam Hussein cancelled Christmas by invading Kuwait in 1990. Energy prices and Middle East terror woes may have grounded Santa in 2004. In 2007 the third worst reading since 1950 was recorded as subprime mortgages and their derivatives lead to a full-blown financial crisis and the second worst bear market in history.

## January Effect Starts in Mid-December

Small-cap stocks tend to outperform big caps in January. Known as the "January Effect." Between 1953 and 1995 small-cap stocks handily outperformed large-cap stocks during January 40 out of 43 years. Then, the January Effect disappeared. Small cap stocks began to outperform the blue chips in mid-December.

## Yearend Bargain Stocks

We take advantage of both the Santa Claus Rally and this early "January Effect" with what we fondly refer to as the only "Free Lunch" on Wall Street. Investors tend to get rid of their losers near year-end for tax purposes, often hammering these stocks down to bargain levels.

For years NYSE stocks selling at their lows on December 15 will usually outperform the market by February 15 in the following year. Preferred stocks, closed-end funds, splits and new issues are eliminated. When there are a huge number of new lows, stocks down the most are selected, even though there are usually good reasons why some stocks have been battered.

In response to changing market conditions we tweaked the strategy the last 15 years adding selections from NASDAQ and AMEX, and selling in mid-January some years. We email the list of stocks to our Almanac Investor newsletter subscribers.

We have come to the conclusion that the most prudent course of action is to compile our list from the stocks making new lows on Triple-Witching Friday before Christmas, capitalizing on the Santa Claus Rally. This also gives us the weekend to evaluate the issues in greater depth and weed out any glaringly problematic stocks. Subscribers will receive the list of stocks selected from the new lows made on December 9, 2014 and December 18, 2015 via email.

This "Free Lunch" strategy is only an extremely short-term strategy reserved for the nimblest traders. It has performed better after market corrections and when there are more new lows to choose from. The object is to buy bargain stocks near their 52-week lows and sell any quick, generous gains, as these issues can often be real dogs. Last year's basket was a boon, up 25.7% in a month.

## 2013 FREE Lunch Menu of Bargain Stocks 18 Options-Expiration New Lows

|                              |                                | 52-Week<br>Low | 52-Week<br>High | % Down<br>From High | 12/20/2013<br>Close | 1/21/2013<br>Close | %<br>Change  |
|------------------------------|--------------------------------|----------------|-----------------|---------------------|---------------------|--------------------|--------------|
| <b>NYSE</b>                  |                                |                |                 |                     | <b>10196.07</b>     | <b>10366.01</b>    | <b>1.7%</b>  |
| AUQ                          | AuRico Gold Inc.               | 3.33           | 8.41            | - 60.4%             | 3.42                | 4.80               | 40.4%        |
| CSFS                         | Cash Store Financial Services  | 1.02           | 4.37            | - 76.7%             | 1.16                | 1.23               | 5.6%         |
| BVN                          | Compania de Minas Buenaventura | 10.54          | 36.58           | - 71.2%             | 10.64               | 12.69              | 19.3%        |
| HL                           | Hecla Mining Company           | 2.63           | 6.15            | - 57.2%             | 2.73                | 3.31               | 21.2%        |
| IAG                          | Iamgold Corp                   | 3.22           | 12.00           | - 73.2%             | 3.24                | 4.10               | 26.5%        |
| KGC                          | Kinross Gold Corp.             | 4.24           | 9.99            | - 57.6%             | 4.28                | 4.80               | 12.1%        |
| SVM                          | Silvercorp Metals Inc          | 2.20           | 5.34            | - 58.8%             | 2.24                | 2.72               | 21.4%        |
| STRI                         | STR Holdings Inc.              | 1.22           | 3.43            | - 64.4%             | 1.26                | 1.50               | 19.0%        |
| ZA                           | Zuoan Fashion Ltd.             | 1.66           | 3.65            | - 54.5%             | 1.74                | 1.93               | 10.9%        |
| <b>NYSE Average:</b>         |                                |                |                 |                     |                     |                    | <b>19.6%</b> |
| <b>AMEX</b>                  |                                |                |                 |                     | <b>2369.33</b>      | <b>2416.46</b>     | <b>2.0%</b>  |
| REE                          | Rare Element Resources Ltd.    | 1.10           | 3.86            | - 71.5%             | 1.20                | 1.62               | 35.0%        |
| RIC                          | Richmont Mines, Inc.           | 0.94           | 3.44            | - 72.8%             | 0.98                | 1.39               | 41.8%        |
| SARA                         | Saratoga Resources Inc.        | 1.10           | 3.72            | - 70.4%             | 1.20                | 1.03               | - 14.2%      |
| TGD                          | Timmins Gold Corp.             | 0.97           | 3.20            | - 69.7%             | 0.98                | 1.57               | 60.2%        |
| <b>AMEX Average:</b>         |                                |                |                 |                     |                     |                    | <b>30.7%</b> |
| <b>NASDAQ</b>                |                                |                |                 |                     | <b>4104.74</b>      | <b>4225.76</b>     | <b>2.9%</b>  |
| GENE                         | Genetic Technologies Ltd.      | 1.35           | 3.35            | - 59.7%             | 1.40                | 1.75               | 25.0%        |
| SEED                         | Origin Agritech Ltd.           | 1.17           | 2.39            | - 51.0%             | 1.24                | 2.33               | 87.9%        |
| RDNT                         | RadNet, Inc.                   | 1.51           | 3.35            | - 54.9%             | 1.57                | 1.64               | 4.5%         |
| RGDX                         | Response Genetics, Inc.        | 1.11           | 2.93            | - 62.1%             | 1.11                | 1.63               | 46.8%        |
| TWGP                         | Tower Group                    | 2.41           | 22.30           | - 89.2%             | 2.65                | 2.61               | - 1.5%       |
| <b>NASDAQ Average:</b>       |                                |                |                 |                     |                     |                    | <b>32.5%</b> |
| <b>Bargain Stock Average</b> |                                |                |                 |                     |                     |                    | <b>25.7%</b> |

### Long Bond Short & Gold's Thanksgiving Bounce

By Christopher Mistal & Jeffrey A. Hirsch

Gold prices tend to move up prior to the holidays, and the trend has worked especially well over the last 14 years. Seasonally speaking, it is best for traders to go long on or about November 19 and hold until about December 4. Over the last 39 years, this trade has worked 21 times for a success rate of 53.8%. The cumulative profit tallies up to \$24,680. Up until two years ago this trade had been profitable for 12 straight years (2000-2011). The longer-term history of this trade is not as good, nonetheless profitable. Gold has had another tough year, but this is a short-term trade and gold has become oversold and appears poised for a bounce.

LONG GOLD (FEB) TRADING DAY: 13 – HOLD : 10 DAYS

| Year                | Entry |        | Exit |        | Profit/<br>Loss |
|---------------------|-------|--------|------|--------|-----------------|
|                     | Date  | Close  | Date | Close  |                 |
| 1975                | 11/21 | 142.6  | 12/8 | 136.9  | -\$570          |
| 1976                | 11/18 | 129.3  | 12/3 | 133.3  | 400             |
| 1977                | 11/17 | 162.6  | 12/2 | 160.1  | -250            |
| 1978                | 11/20 | 201.8  | 12/5 | 199.1  | -270            |
| 1979                | 11/19 | 399.0  | 12/4 | 438.5  | 3,950           |
| 1980                | 11/20 | 665.1  | 12/5 | 638.0  | -2,710          |
| 1981                | 11/18 | 405.5  | 12/3 | 428.0  | 2,250           |
| 1982                | 11/18 | 419.6  | 12/3 | 447.8  | 2,820           |
| 1983                | 11/17 | 384.2  | 12/2 | 404.1  | 1,990           |
| 1984                | 11/19 | 348.5  | 12/4 | 334.1  | -\$1,440        |
| 1985                | 11/19 | 328.8  | 12/4 | 325.7  | -310            |
| 1986                | 11/19 | 392.1  | 12/4 | 391.7  | -40             |
| 1987                | 11/18 | 470.8  | 12/3 | 493.8  | 2,300           |
| 1988                | 11/17 | 426.0  | 12/5 | 434.2  | 820             |
| 1989                | 11/17 | 401.0  | 12/4 | 406.6  | 560             |
| 1990                | 11/19 | 385.6  | 12/4 | 380.5  | -510            |
| 1991                | 11/19 | 367.3  | 12/4 | 367.9  | 60              |
| 1992                | 11/18 | 336.5  | 12/3 | 336.4  | -10             |
| 1993                | 11/17 | 379.2  | 12/3 | 378.6  | -60             |
| 1994                | 11/17 | 389.7  | 12/5 | 379.0  | -1,070          |
| 1995                | 11/17 | 389.1  | 12/5 | 388.7  | -40             |
| 1996                | 11/19 | 380.2  | 12/5 | 373.0  | -720            |
| 1997                | 11/19 | 306.3  | 12/5 | 290.5  | -1,580          |
| 1998                | 11/18 | 300.3  | 12/4 | 294.3  | -600            |
| 1999                | 11/17 | 297.5  | 12/3 | 282.1  | -1,540          |
| 2000                | 11/17 | 268.9  | 12/5 | 273.3  | 440             |
| 2001                | 11/19 | 273.7  | 12/5 | 274.6  | 90              |
| 2002                | 11/19 | 319.8  | 12/5 | 325.6  | 580             |
| 2003                | 11/19 | 396.0  | 12/5 | 407.3  | 1,130           |
| 2004                | 11/17 | 447.2  | 12/3 | 457.8  | 1,060           |
| 2005                | 11/17 | 490.8  | 12/5 | 512.6  | 2,180           |
| 2006                | 11/17 | 628.7  | 12/5 | 647.9  | 1,920           |
| 2007                | 11/19 | 784.8  | 12/4 | 807.6  | 2,280           |
| 2008                | 11/19 | 736.0  | 12/4 | 765.5  | 2,950           |
| 2009                | 11/18 | 1142.7 | 12/3 | 1218.3 | 7,560           |
| 2010                | 11/17 | 1339.0 | 12/2 | 1389.3 | 5,030           |
| 2011                | 11/17 | 1722.9 | 12/2 | 1751.3 | 2,840           |
| 2012                | 11/19 | 1736.7 | 12/4 | 1695.8 | -4,090          |
| 2013                | 11/19 | 1274.4 | 12/4 | 1247.2 | -2,720          |
| <b>39-Year Gain</b> |       |        |      |        | <b>\$24,680</b> |
| <b># Wins</b>       |       |        |      |        | <b>21</b>       |
| <b># Losses</b>     |       |        |      |        | <b>18</b>       |

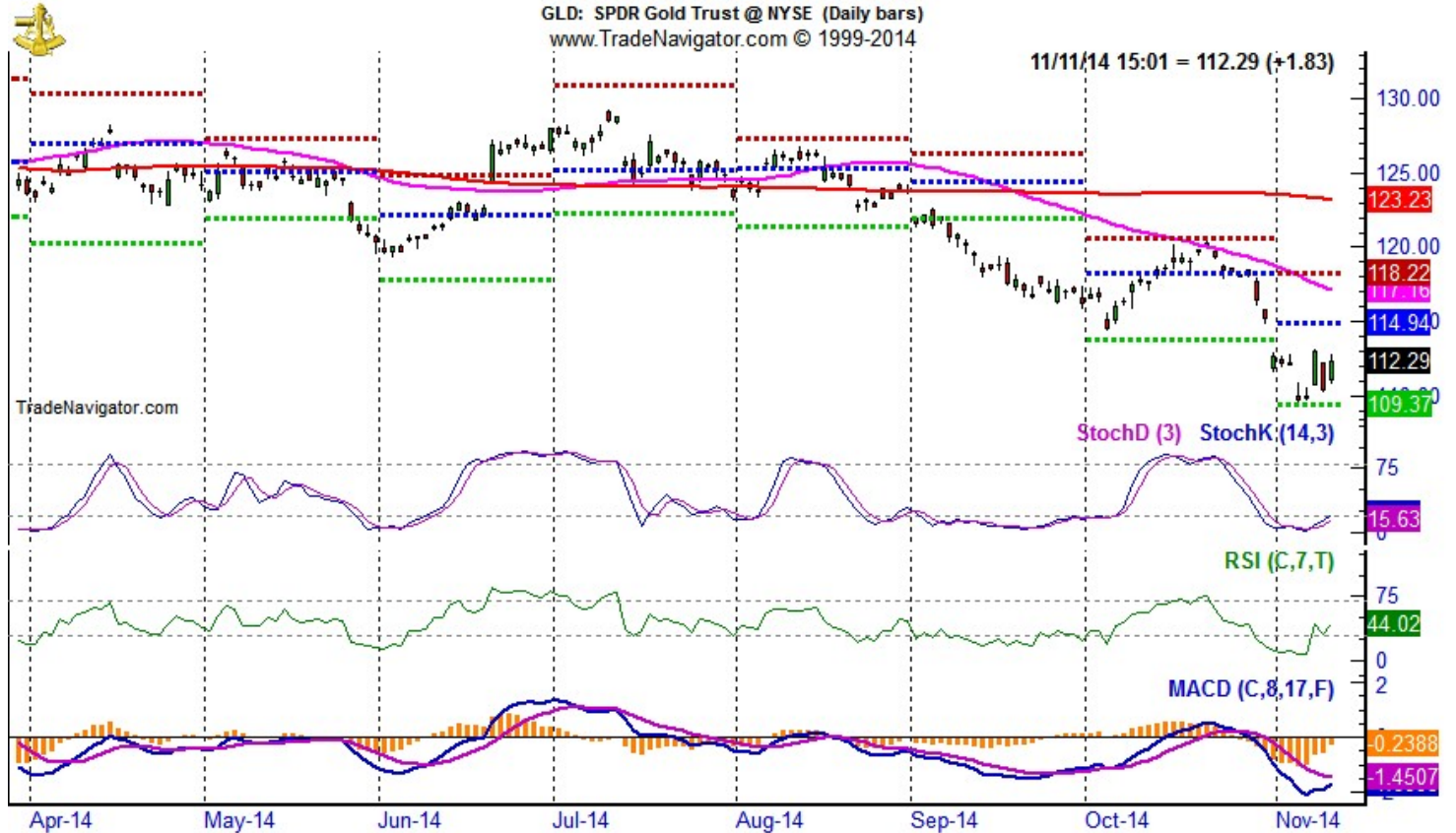
The chart below shows the correlation with the exchange-traded fund **SPDR Gold** (GLD). This fund's single holding is physical gold bullion. GLD currently holds 725.36 tons of gold giving it a market valuation of approximately \$26.95 billion. GLD's price line has been overlaid on the front-month gold futures contract. The line on the bottom section is the 39-year average seasonal price move for gold with the yellow shading highlighting seasonal strength from mid-November to early-February. This trade targets the beginning of this seasonal move that typically peaks the first week of December. Last year, gold made a bottom at the end of December and then briskly rallied until mid-March.

*Click image to view full size...*



GLD is an excellent candidate to execute this trade. In the next chart, GLD is plotted above its stochastic, relative strength and MACD indicators. All three of these indicators are at or just off of oversold levels while GLD is trading just above projected monthly support (green dashed line). GLD is attractive on dips below \$112.00. Once a position is established, a stop loss of \$105.00 is suggested. This trade will be tracked in the *Almanac Investor* ETF Portfolio.

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### 30-Year Treasury Bond Freezes in Winter

Typically, we see a seasonal tendency for 30-year Treasury bond prices to peak in mid-November to mid-December and then start a decline lasting into

April (highlighted with yellow box below). Perhaps investors seeking a higher return feel more comfortable buying into the year-end stock market rally, so they sell bonds and reallocate funds into equities. Or perhaps end-of-year window dressing or savvy traders, wishing to take part in the up-coming January effect, play a role in the decline of bond prices.

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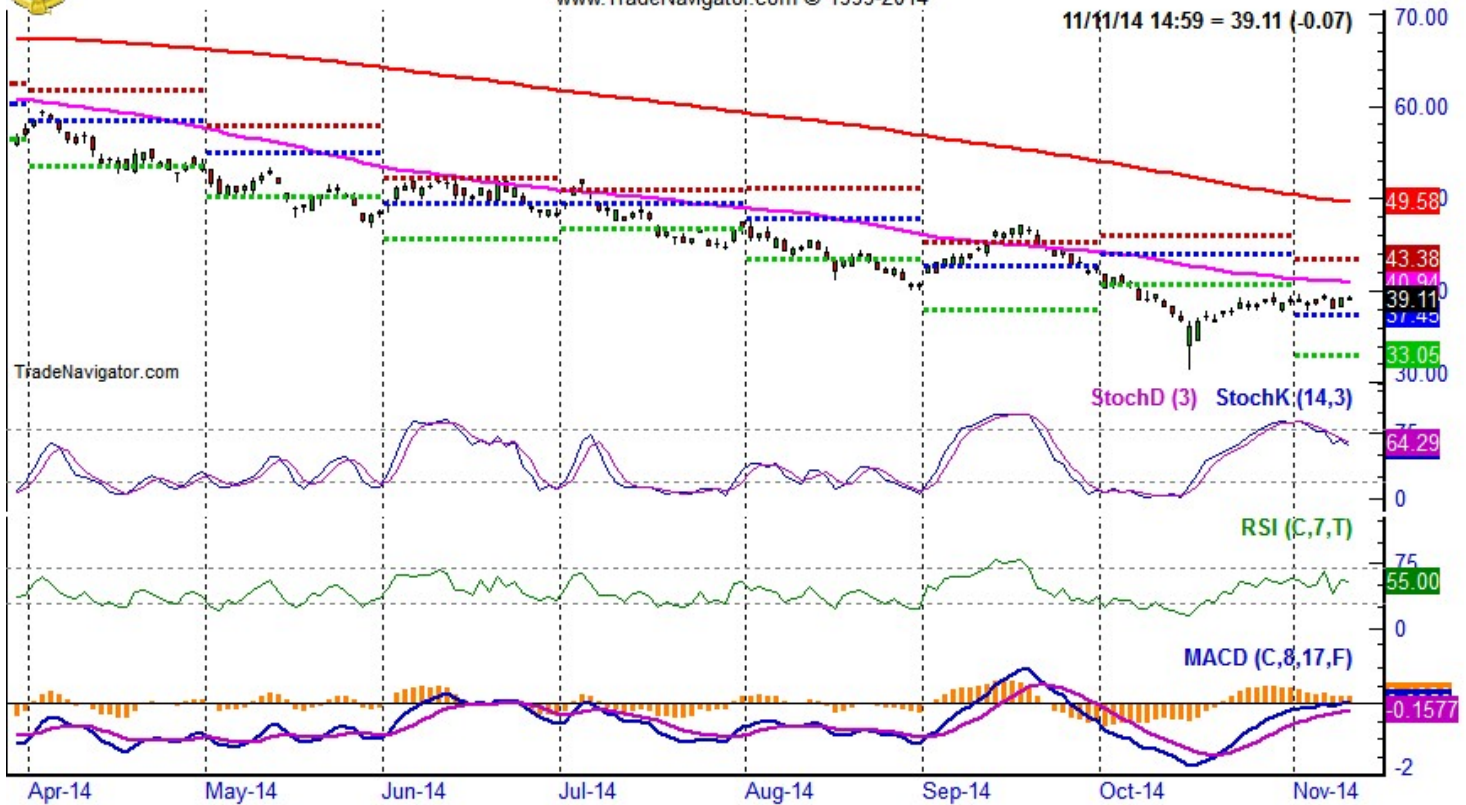
In any event, this trade in the last 37 years has a 51.4% success rate. This trade's shorter-term record is even weaker with five losses and just two wins since 2007. Losses in 2007 and 2008 were the result of recession and financial crisis. In 2011 and 2012, the Fed took action to drive longer-term interest rates lower (bond prices higher) and Europe's debt crisis triggered a flight to safety as well. However, the Fed has ended QE because U.S. growth and labor market conditions have improved substantially and should these trends hold the Fed's next move will be to raise interest rates. Higher rates translate into lower bond prices for existing supply. As of today, a Fed Funds rate increase is most likely going to occur in the second half of 2015, but could come sooner if economic conditions remain firm and positive.

## SHORT 30-YR BOND (JUN) TRADING DAY: 14 – HOLD : 107 DAYS

| Year | Entry |         | Exit |                     | Profit/         |
|------|-------|---------|------|---------------------|-----------------|
|      | Date  | Close   | Date | Close               | Loss            |
| 1977 | 11/18 | 101'070 | 4/25 | 95'240              | \$5,469         |
| 1978 | 11/21 | 93'080  | 4/26 | 88'190              | 4,656           |
| 1979 | 11/20 | 80'200  | 4/25 | 75'120              | 5,250           |
| 1980 | 11/21 | 69'230  | 4/29 | 62'180              | 7,156           |
| 1981 | 11/19 | 64'170  | 4/26 | 64'100              | 219             |
| 1982 | 11/19 | 77'140  | 4/26 | 77'300              | -500            |
| 1983 | 11/18 | 69'220  | 4/24 | 65'080              | 4,438           |
| 1984 | 11/20 | 70'010  | 4/25 | 70'260              | -781            |
| 1985 | 11/20 | 78'260  | 4/25 | 98'080              | -19,438         |
| 1986 | 11/20 | 97'220  | 4/27 | 91'060              | 6,500           |
| 1987 | 11/19 | 87'130  | 4/25 | 88'210              | -1,250          |
| 1988 | 11/18 | 87'040  | 4/25 | 89'210              | -2,531          |
| 1989 | 11/20 | 98'270  | 4/25 | 89'060              | 9,656           |
| 1990 | 11/20 | 93'130  | 4/25 | 95'290              | -2,500          |
| 1991 | 11/20 | 98'050  | 4/27 | 97'230              | 438             |
| 1992 | 11/19 | 101'130 | 4/26 | 111'110             | -9,938          |
| 1993 | 11/18 | 113'260 | 4/21 | 105'250             | 8,031           |
| 1994 | 11/18 | 95'200  | 4/26 | 105'170             | -9,906          |
| 1995 | 11/20 | 116'310 | 4/24 | 109'240             | 7,219           |
| 1996 | 11/21 | 114'210 | 4/29 | 108'300             | 5,719           |
| 1997 | 11/21 | 118'230 | 4/29 | 118'220             | 31              |
| 1998 | 11/20 | 127'160 | 4/27 | 121'230             | 5,781           |
| 1999 | 11/19 | 94'070  | 4/25 | 97'020              | -2,844          |
| 2000 | 11/20 | 100'140 | 4/26 | 101'170             | -1,094          |
| 2001 | 11/21 | 101'270 | 4/29 | 101'310             | -125            |
| 2002 | 11/21 | 107'220 | 4/29 | 113'030             | -5,406          |
| 2003 | 11/21 | 108'120 | 4/28 | 107'110             | 1,031           |
| 2004 | 11/19 | 110'280 | 4/26 | 114'020             | -3,188          |
| 2005 | 11/21 | 112'130 | 4/27 | 106'220             | 5,719           |
| 2006 | 11/20 | 112'280 | 4/25 | 111'160             | 1,375           |
| 2007 | 11/21 | 115'270 | 4/28 | 116'010             | -188            |
| 2008 | 11/20 | 123'075 | 4/28 | 123'260             | -578            |
| 2009 | 11/19 | 118'190 | 4/26 | 116'280             | 1,719           |
| 2010 | 11/18 | 123'240 | 4/25 | 121'160             | 2,250           |
| 2011 | 11/18 | 141'130 | 4/25 | 141'300             | -531            |
| 2012 | 11/20 | 148'100 | 4/26 | 148'280             | -844            |
| 2013 | 11/20 | 129'010 | 4/28 | 134'230             | -5,688          |
|      |       |         |      | <b>37-Year Gain</b> | <b>\$15,328</b> |
|      |       |         |      | <b># Wins</b>       | <b>19</b>       |
|      |       |         |      | <b># Losses</b>     | <b>18</b>       |

Traders may consider shorting the exchange-traded fund **iShares Barclays 20+ Year Bond** (TLT) or trading its put options as a replacement for the futures contract. Another possibility is establishing a long position in **Direxion Daily 20+ Year Treasury Bear 3x** (TMV). This fund seeks to track three times the inverse of the daily move of the NYSE 20+ Treasury Bond index. TMV had been in decline since the start of 2014, but appears to have found bottom in mid-October.

*Click image to view full size...*



The chart of TMV is the mirror opposite of the 30-year Treasury bond. Its stochastic, relative strength and MACD indicators are confirming recent strong upward price momentum. However, TMV's momentum has waned suggesting a better trade entry price is possible. TMV could be considered on dips below \$37.50. If purchased a stop loss of \$33.75 is suggested. This trade will also be tracked in the *Almanac Investor* ETF Portfolio.

### Anticipating an Energy Sector Bounce

By Christopher Mistal

From a long-term prospective, the glory days of crude oil and the companies that explore, produce and transport it are most likely in the rearview mirror. Since peaking near \$150 per barrel in 2008, crude oil has been in a downtrend where each seasonal peak is lower than the previous and it is currently testing the lows it last reached in 2011.

There are literally barrels full of reasons why. Global growth and therefore demand has slowed. Persistently high prices supported technology improvements that aided crude oil supplies while also tempering demand. Alternative energy, electric cars, global warming concerns, higher fuel economy standards and recently, a strengthening U.S. dollar, are all pressuring the crude oil industry.

But, crude oil is not likely to go back to \$20 per barrel and if it did, it would not be in a straight line. As you can see in the chart below, the **NYSE Arca Oil Index (XOI)** of oil producing companies has very closely tracked its seasonal pattern this year peaking in June then falling to a mid-October low. The magnitude of this decline leaves plenty of upside potential even if the index fails to exceed this year's high next year. Should XOI continue to track its seasonal patterns closely, a bottom is likely sometime later this year or earlier next year.





**\$XOI: Oil Index (Weekly bars)**  
www.TradeNavigator.com © 1999-2014



Oil companies typically come into favor in mid-December and remain so until the beginning of July (yellow box in chart above). This trade has averaged 12.4%, 12.3%, and 3.5% gains over the last 15-, 10-, and 5-year periods, This seasonality is not based upon the commodity itself; rather it is based upon XOI. This price-weighted index is composed of thirteen of the largest integrated oil and gas producers. Last year's trades based upon this seasonality produced an average 13.6% gain. With this in mind, we will look to add the following ETF to the portfolio on a dip.



**XLE: Energy Select Sector SPDR Fund @ NYSE (Daily bars)**  
www.TradeNavigator.com © 1999-2014



**SPDR Energy (XLE)** is the top pick to trade this seasonality. A new position in XLE could be established on pullbacks with a buy limit of \$76.15. Employ a stop loss of \$68.54. Take profits at the auto sell of \$94.15. Exxon Mobil is the top holding in XLE at 16.24%. The remaining top five holdings of XLE are Chevron, Schlumberger, EOG Resources and ConocoPhillips.

## Portfolio Updates

Three sector seasonalities come to an end in December: Gold & Silver, Semiconductor, and Telecom. Gold & Silver related positions were stopped out or cancelled in early September as typical seasonal strength had failed to materialize. Those moves proved timely as gold and silver declines accelerated and continue today. **iShares DJ US Telecom** (IYZ) and **iShares PHLX Semiconductor** (SOXX) are on Hold. IYZ was modestly lower at yesterday's close with a 0.6% loss. Previously stopped out SOXX was added to the portfolio on October 21 and has surged 8.4% since.

Recent U.S. dollar strength, a result of numerous factors ranging from tepid overseas economic growth and monetary policy, has put pressure on the two currency-related trades in the portfolio. **CurrencyShares Euro** (FXE), added on October 31 when it traded below \$124, and **CurrencyShares British Pound** (FXB) are currently modestly lower. Near-term prospects for both do not look positive. Sell FXE and FXB. For tracking purposes, both will be closed out of the portfolio using today's closing prices.

On the close on [October 21, we issued our Seasonal MACD Buy Signal](#). At that time we advised establishing new long positions or adding to existing positions in most of the holdings in the portfolio. We also officially added to existing positions in DIA, IWM, QQQ and SPY. As a result, the original "Presented Price" for these positions has been updated to reflect the positions average cost.

Aside from today's new energy sector related trade, all other positions in the portfolio are on hold. The market's brisk v-shaped recovery has given the portfolio a nice boost, but its pace has also resulted in a swing in sentiment back to toward excessively bullish levels. In addition, many technical indicators are now stretched signaling that the best opportunity to enter or add to existing long positions has likely passed for now.

[Click image for full size...](#)

| Almanac Investor ETF Portfolio |                                      |                |        |                 |        |                        |                        |                        |                                  |  |
|--------------------------------|--------------------------------------|----------------|--------|-----------------|--------|------------------------|------------------------|------------------------|----------------------------------|--|
| Ticker                         | Exchange Traded Fund                 | Presented Date | Price  | 11/5/2014 Price | Return | Buy Limit <sup>1</sup> | Stop Loss <sup>1</sup> | Auto Sell <sup>*</sup> | Current Advice <sup>1</sup>      |  |
| DBA                            | PowerShares DB Agriculture           | 6/10/14        | 27.47  | 25.35           | -7.7%  |                        | 24.75                  |                        | Hold                             |  |
| FDN                            | First Trust DJ Internet              | 7/8/14         | 61.55  | 60.24           | -2.1%  |                        | 55.53                  | 87.07                  | Hold                             |  |
| IHI                            | iShares DJ US Medical Devices        | 7/8/14         | 101.40 | 107.70          | 6.2%   |                        | 96.93                  | 123.47                 | Hold                             |  |
| IYW                            | iShares DJ US Tech                   | 7/8/14         | 100.90 | 102.03          | 1.1%   |                        | 91.83                  | 131.63                 | Hold                             |  |
| IBB                            | iShares NASDAQ Biotech               | 7/8/14         | 267.03 | 288.90          | 8.2%   |                        | 260.01                 | 378.62                 | Hold                             |  |
| XLP                            | SPDR Consumer Staples                | 8/7/14         | 44.96  | 47.47           | 5.6%   |                        | 42.72                  | 54.60                  | Hold                             |  |
| XRT                            | SPDR Retail                          | 8/7/14         | 87.98  | 88.33           | 0.4%   |                        | 79.50                  | 106.84                 | Hold                             |  |
| IYT                            | iShares DJ Transports                | 9/4/14         | 148.48 | 158.25          | 6.6%   |                        | 142.43                 | 194.03                 | Hold                             |  |
| IYZ                            | iShares DJ US Telecom                | 9/4/14         | 30.37  | 30.18           | -0.6%  |                        | 27.48                  | 36.35                  | Hold                             |  |
| XLF                            | SPDR Financial                       | 9/4/14         | 23.05  | 24.10           | 4.6%   |                        | 21.69                  | 29.61                  | Hold                             |  |
| XLV                            | SPDR Healthcare                      | 9/4/14         | 62.58  | 67.29           | 7.5%   |                        | 60.56                  | 75.93                  | Hold                             |  |
| XLI                            | SPDR Industrial                      | 9/4/14         | 53.30  | 55.45           | 4.0%   |                        | 49.91                  | 70.12                  | Hold                             |  |
| XLB                            | SPDR Materials                       | 9/4/14         | 49.92  | 48.02           | -3.8%  |                        | 45.05                  | 63.53                  | Hold                             |  |
| XLK                            | SPDR Technology                      | 9/4/14         | 39.77  | 40.81           | 2.6%   |                        | 36.73                  | 49.96                  | Hold                             |  |
| VNQ                            | Vanguard REIT                        | 9/4/14         | 76.39  | 79.64           | 4.3%   |                        | 71.68                  | 95.79                  | Hold                             |  |
| SCO                            | ProShares UltraShort Bloomberg Crude | 9/9/14         | 29.07  | 39.36           | 26.1%  |                        |                        |                        | Sold, 10/21 @ 36.65              |  |
| FXB                            | CurrencyShares British Pound         | 9/9/14         | 158.53 | 157.02          | -1.0%  |                        |                        |                        | Sell                             |  |
| DIA                            | SPDR DJIA **                         | 9/18/14        | 167.13 | 174.55          | 4.4%   |                        | 157.10                 |                        | Hold, Added to Position on 10/21 |  |
| IWM                            | iShares Russell 2000 **              | 9/18/14        | 111.29 | 116.03          | 4.3%   |                        | 104.43                 |                        | Hold, Added to Position on 10/21 |  |
| QQQ                            | PowerShares QQQ **                   | 9/18/14        | 97.39  | 101.37          | 4.1%   |                        | 91.23                  |                        | Hold, Added to Position on 10/21 |  |
| SPY                            | SPDR S&P 500 **                      | 9/18/14        | 194.04 | 202.34          | 4.3%   |                        | 182.11                 |                        | Hold, Added to Position on 10/21 |  |
| FXE                            | CurrencyShares Euro                  | 10/9/14        | 124.00 | 122.94          | -0.9%  |                        |                        |                        | Sell, Added 10/31 @ 124.00       |  |
| SOXX                           | iShares PHLX Semiconductor           | 10/21/14       | 81.50  | 88.31           | 8.4%   |                        | 79.48                  | 102.38                 | Hold, Added 10/21 @ 82.34        |  |
| XLE                            | SPDR Energy                          | 11/6/14        | 76.15  | 85.75           | New    | 76.15                  | 68.54                  | 94.15                  | Buy Dips                         |  |
| Open Position Average % Return |                                      |                |        |                 | 2.7%   |                        |                        |                        |                                  |  |
| Average Total % Return         |                                      |                |        |                 | 2.7%   |                        |                        |                        |                                  |  |

<sup>1</sup> 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. \*Auto Sell price based upon historical sector returns plus 10%. \*\* Average purchase price.

Disclosure Note: At press time, officers of the Hirsch Organization, or accounts they control held positions in IBB, IWM, IYT, QQQ, SPY, UNG, VNQ, XLF, XLI and XLV.

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