

SEASONAL STRATEGIST

MONTHLY STOCK MARKET UPDATES



PROBABILITIES
FUND MANAGEMENT, LLC

Volume 4, Issue 3

Published by Probabilities Fund Management, LLC

March 2018

March Outlook: Still Bullish — Correction Brings Market and Valuations Back Inline

By Jeffrey A. Hirsch
Chief Market Strategist

The return of volatility over the past four weeks has been quite a reality check for the market and its participants. However, it has not shaken our resolve and our bullish outlook for 2018. Economic data and forecasts remain robust, but improving economic conditions are a double-edged sword for the market.

Historically stocks tend to struggle in rising rate environments, but these levels are still well below historical averages for the 10-Year Treasury yield and below the lower end for the benchmark yield of around 4% prior to 2008. The uptick in growth, inflation, wages and corporate profits stoked fears of an accelerated run up in interest rates, which spooked traders and investors and heralded in a return of volatility that began at the end of January.

This influx of *real* volatility — larger daily and intraday market index price swings — caused a run on the latest Wall Street invention: low volatility derivatives, especially inverse volatility Exchange-Traded

Products (ETPs). The long-awaited 10.2% correction that appears to have found support at the February 8 close — at least for now — has brought valuations, stock prices and the overbought conditions back in line to less overextended levels.

**“...beware
The Ides of March
as well as the week after
March quarterly options expiration
and the end of Q1. The market tends
to come into March strong, but then
after mid-month is prone
to weakness...”**

It's been two full years since the last 10% correction, so make no mistake; this was a warning shot that market volatility has returned and the days of super easy gains being long and strong stocks and the broad market and short volatility are likely over. This makes the historical time-tested seasonal trading trends and pattern for frequency and magnitude detailed in the *Stock Trader's Almanac* for 51

Inside

March Outlook	1
March Almanac	2
Events Calendar	3
Market at a Glance	4

years, even more imperative to consider.

The fact that this correction happened in classic fashion in February, the weak link in the Best Six Months, where big January gains often correct or consolidate, lends support to the efficacy of and return of market seasonality. This looks like a textbook setup for a midterm-election year Worst Six Months market soft patch and perhaps further correction during the May-October period.

March historically remains strong in midterm years, but April, May and June have been weaker in midterm years, so we suspect the rally to resume higher toward the January highs in March. Volatility is likely to continue, but we don't expect another meaningful pullback until the end of the Best Six Months. Midterm election campaign machinations and political rhetoric are likely to heat up already heightened tensions in Washington,

(continued on page 2)

fanning any market jitters from the new Fed, higher rates and market gyrations.

Bullish sentiment has come down considerably and technically the market is going through a constructive consolidation. Finally, while midterm March is historically strong, like Julius Caesar: beware *The Ides of March* as well as the week after March quarterly options expiration and the end of Q1. The market tends to come into March strong, but then after mid-month is prone to weakness and big end-of-Q1 hits.

March Almanac: Above Average in Midterm Years

Tempestuous March markets tend to drive prices up early in the month and batter stocks at month end. Julius Caesar failed to heed the famous warning to “beware the Ides of March” but investors have been served well when they have. Historically, stock prices have often declined, sometimes rather precipitously, during the latter days of the month.

People

Management Team

Joseph B. Childrey,
Founder & CIO

Mary C. Gray,
COO

Jonathan L. Chatfield, CFA,
Portfolio Manager & CCO

Jeffrey A. Hirsch,
*Chief Market Strategist
Editor, Stock Trader's Almanac*

Christopher Mistal,
Director of Research

Independent Research Consultants

Allen Shepard, PhD,
Research Consultant

Robert B. Ausdal, Jr., CFA,
Research Consultant

Contact

Probabilities Fund Management, LLC

A registered investment advisor.

1665 Union Street, Suite A, San Diego, CA 92101

Office: 800-519-0438

Email: advisorservices@probabilitiesfund.com

Website: www.probabilitiesfund.com

March packs a rather busy docket. It is the end of the first quarter, which brings with it quarterly options expiration and an abundance of portfolio maneuvers from The Street. March quarterly options expiration weeks have been quite bullish in recent years. But the week after is the exact opposite, DJIA down 20 of the last 30 years — and frequently down sharply for an average drop of 0.54%. Notable gains during the week after for DJIA of 4.9% in 2000, 3.1% in 2007, 6.8% in 2009, and 3.1% in 2011 are the rare exceptions to this historically poor performing timeframe.

Normally a solid performing market month, March has improved modestly in midterm-election years (see Vital Statistics table below). In midterm years March ranks: 4th best for DJIA and S&P 500 and 3rd best for NASDAQ. DJIA and S&P 500 have been up for five straight midterm Marchs.

Midterm-Year March since 1950				
	Rank	Avg %	Up	Down
DJIA	4	1.3	12	5
S&P 500	4	1.3	12	5
NASDAQ*	3	1.7	7	4
* Since 1974				
© StockTradersAlmanac.com. All rights reserved.				

Saint Patrick's Day is March's sole recurring cultural event. Gains the day before Saint Patrick's Day have proved to be greater than the day itself and the day after. Perhaps it's the anticipation of the patron saint's holiday that boosts the market and the distraction from the parade down Fifth Avenue that causes equity markets to languish. Or maybe it's the fact that Saint Pat's usually falls in quarterly options expiration week. With the holiday falling on a Saturday this year (but also the day after quarterly options expiration), the day before could be weaker than usual as some traders may look to stretch the holiday into a three-day weekend.

(continued on page 3)



Whatever the case, since 1950, the S&P 500 has posted an average gain of 0.21% on Saint Patrick's Day (or the next trading day when it falls on a weekend), a gain of 0.13% the day after, but the day before averages a 0.24% advance.

On the day before Good Friday S&P 500 has logged gains averaging 0.65% in the last 20 years, up 15 times, down 5 times. NASDAQ has averaged gains of 0.78% the day before Good Friday in the last 20 years, up 18 times, down 2 times. Trading the day after Easter has been weak.

March Almanac Vital Stats			
March (1950-2017)			
	DJIA	S&P 500	NASDAQ
Rank	5	4	6
# Up	44	44	30
# Down	24	24	17
Average %	1.1	1.2	0.9
4-Year Presidential Election Cycle Performance by %			
Post-Election	0.3	0.6	-0.2
Mid-Term	1.3	1.3	1.7
Pre-Election	2.0	1.9	3.1
Election	1.0	1.2	-0.9
Best & Worst March by %			
Best	2000 7.8	2000 9.7	2009 10.9
Worst	1980 -9.0	1980 -10.2	1980 -17.1
March Weeks by %			
Best	3/13/2009 9.0	3/13/2009 10.6	3/13/2009 10.6
Worst	3/16/2001 -7.7	3/6/2009 -7.0	3/16/2001 -7.9
March Days by %			
Best	3/23/2009 6.8	3/23/2009 7.1	3/10/2009 7.1
Worst	3/2/2009 -4.2	3/2/2009 -4.7	3/12/2001 -6.3
March 2018 Bullish Days: Data 1997-2017			
	1, 7, 15, 19	1, 5, 7, 13, 15, 19	1, 5, 13, 19, 20, 23
March 2018 Bearish Days: Data 1997-2017			
	21, 22, 26, 29	2, 14, 21, 26	2, 7, 26

Events Calendar

Probabilities Fund Management, LLC

invites you to join us at any of the following upcoming events:



Claraphi Annual Conference

Ritz Carlton
Dana Point, CA – April 26-28

Founder & Chief Investment Officer Joseph B. Childrey
HBW Partners 2018 Executives
Victoria, BC – May 7-10

Chief Market Strategist Jeffrey Hirsch

The MoneyShow Las Vegas
Bally's/Paris Las Vegas
Las Vegas, NV – May 14-16

TradePMR RIA Conference Synergy 2018
Marriott Marquis San Diego Marina
San Diego, CA – May 16-18

To Register Early For An Event or For More Information, Call (800) 519-0438 or Email advisorservices@probabilitiesfund.com.

Index Definitions: The S&P 500 Index is an unmanaged composite of 500 large capitalization companies. This index is widely used by professional investors as a performance benchmark for large-cap stocks. The Dow Jones Industrial Average ("DJIA") is an unmanaged composite of 30 widely held stocks. The NASDAQ Index is an unmanaged composite of the common stocks and similar securities listed on the NASDAQ stock market companies. You cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses or sales charges. Past performance does not guarantee future results.

Past performance does not guarantee future results. You cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses or sales charges.

Market at a Glance

Psychological: *Stunned.* Bullish sentiment was running at multi-decade highs in late January according to [Investor's Intelligence](#) Advisors Sentiment survey. This is no longer the case. Bulls have retreated to less than 50% and correction advisors have increased to nearly 37%. Bears are still scarce at just under 15%. In late January, the "wall of worry" that the market climbs was essentially nonexistent. This appears to no longer be applicable. The easing of extremely bullish sentiment does give the market some room to recover.

Fundamental: *Firm.* Unemployment is low, corporate earnings are growing and GDP is currently forecast to be running right around 3%. These are all fair data points, but clear signs of economic overheating are still absent. The recent uptick in some inflation metrics and bond yields was once considered a positive. It was confirmation that the economy was on firm(er) footing, not a warning that a recession was imminent.

Technical: *Mixed.* Markets went from overbought to oversold in seemingly record time. Bullishly support was found above DJIA, S&P 500

and NASDAQ key technical levels. The current rebound is struggling with resistance. Other market indicators have all improved and there is still some room left. NASDAQ's chart looks the best having cleared recent resistance levels. Similar moves by DJIA and S&P 500 would be welcome confirmation that the bull market is still alive and well.

"Normally a solid performing month, March typically enjoys even better results in midterm years. The month's overall ranking improves due to increase in average gains."

Monetary: 1.25-1.50%. It would seem the greatest fear is the possibility that the Fed may be chasing after inflation and may need to raise rates quicker than previously expected.

Inflation was well below the Fed's stated 2% target for a rather lengthy amount of time and could easily overshoot on the high side. Should inflation overshoot, the Fed may still take its time raising rates considering all the effort (trillions of \$ in QE) that went into stimulating it.

Seasonal: *Bullish.* Normally a solid performing month, March typically enjoys even better results in midterm years. The month's overall ranking improves due to increase in average gains. DJIA and S&P 500 rank #4 while NASDAQ ranks third best overall.

More Information

For more information about our strategies, products and services, including updated fact sheets, performance summary reports and prospectuses, visit our web sites:

<http://www.probabilitiesfundmanagement.com>, <http://www.probabilitiesfund.com> or call Advisor Services today at **(800) 519-0438**.

The material provided herein has been provided by Probabilities Fund Management, LLC and is for informational purposes only. Probabilities Fund Management, LLC is the adviser to one or more mutual funds distributed through Northern Lights Distributors, LLC member FINRA/SIPC. Northern Lights Distributors, LLC and Probabilities Fund Management, LLC are not affiliated entities.

6176-NLD-3/1/2018

