

SEASONAL STRATEGIST

MONTHLY STOCK MARKET UPDATES



PROBABILITIES
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June Outlook: Best 8 Months End, Midterm Machinations Suggest Rough Summer for Stocks

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To all the market seasonality naysayers and “Sell in May” or Best Six Months/Worst Six Months critics, we say thank you for your skepticism. Despite your disbelief (and perhaps because of it) the recurring seasonal market patterns highlighted in the *Stock Trader’s Almanac* continue to persist. Of course they are not perfect and do not work 100% of the time, and some have fallen by the wayside and some have shifted — we’ve tracked and updated those.

However, supported by a host of academic studies and papers (just Google them yourself) and now years of evidence-based results, our Tactical Seasonal Best & Worst Six Months Switching Strategy, a slightly more sophisticated version of “Sell in May and Go Away,” continues to outperform over the long and short term, 2017 notwithstanding. Yes the Worst Six Months (or “Sell in May”) was quite positive in 2017 and better than the Best Six.

This has happened before as it did in 2009 (Post Financial Crisis) and 2003 (Iraq war) and it may again. But

that has not changed or tainted the seasonality, strategy or results. Just think back to how well the market and the Switching Strategy did following those years. And remember we are not talking about the plain vanilla “Sell in May” on May first (see page 52 of the *Stock Trader’s Almanac* 2018 for the results of our Best Six Months Switching Strategy using technical timing). Here are the results since 2009 to give you an idea.

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So far since our Best Six Months Seasonal MACD Sell Signal for the Dow and S&P 500 the Dow is up about 2.1% and the S&P 500 is up about 2.6%. Definitely a solid move, but this has enabled us to take some profits and sell losers at favorable prices. Bonds have ticked up recently as stocks have begun

| Best Six Months Switching Strategy/Sell In May + MACD Timing | | | | | |
|--------------------------------------------------------------|----------|-------------|-----------------|----------|-------------|
| Best 6 Months | | | Worst 6 Months | | |
| BUY Signal | | % Change | SELL Signal | | % Change |
| (DJIA) | | | | | |
| 9-Oct-09 | 9864.94 | 10.8% | 8-Apr-10 | 10927.07 | 4.6% |
| 4-Nov-10 | 11434.84 | 7.3% | 13-Apr-11 | 12270.99 | -9.4% |
| 6-Oct-11 | 11123.33 | 18.7% | 3-Apr-12 | 13199.55 | 0.3% |
| 6-Nov-12 | 13245.68 | 10.0% | 1-Apr-13 | 14572.85 | 4.1% |
| 15-Oct-13 | 15168.01 | 7.1% | 7-Apr-14 | 16245.87 | 2.3% |
| 21-Oct-14 | 16614.81 | 7.4% | 30-Apr-15 | 17840.52 | -6.0% |
| 5-Oct-15 | 16776.43 | 4.9% | 5-Apr-16 | 17603.32 | 3.6% |
| 24-Oct-16 | 18233.03 | 13.0% | 17-May-17 | 20606.93 | 15.7% |
| 28-Nov-17 | 23836.71 | 0.4% | 2-May-18 | 23924.98 | |
| Averages | | 8.8% | Averages | | 1.9% |
| (S&P 500) | | | | | |
| 9-Oct-09 | 1071.49 | 10.7% | 8-Apr-10 | 1186.44 | 2.9% |
| 4-Nov-10 | 1221.06 | 7.6% | 13-Apr-11 | 1314.41 | -11.4% |
| 6-Oct-11 | 1164.97 | 21.3% | 3-Apr-12 | 1413.38 | 1.1% |
| 6-Nov-12 | 1428.39 | 9.4% | 1-Apr-13 | 1562.17 | 8.7% |
| 15-Oct-13 | 1698.06 | 8.7% | 7-Apr-14 | 1845.04 | 5.2% |
| 21-Oct-14 | 1941.28 | 7.4% | 30-Apr-15 | 2085.51 | -4.7% |
| 5-Oct-15 | 1987.05 | 2.9% | 5-Apr-16 | 2045.17 | 5.2% |
| 24-Oct-16 | 2151.33 | 9.6% | 17-May-17 | 2357.03 | 11.5% |
| 28-Nov-17 | 2627.04 | 0.3% | 2-May-18 | 2635.67 | |
| Averages | | 8.7% | Averages | | 2.3% |

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(continued on page 2)

to weaken again as seasonality and midterm machinations begin to kick in.

As most presidents do, President Trump has ramped up his efforts to push through his more difficult, less savory policy initiatives before the usual loss of Congressional seats in the midterm election. It will be more difficult to pass any new legislation and more likely he'll receive greater pushback from Congress on his executive orders, decrees and decisions if he loses a majority in one or both Houses of Congress.

Meanwhile democratic midterm election rhetoric has begun to heat up and the Russia collusion probe battle continues. Geopolitically, dysfunction in Italy has rekindled Eurozone breakup fears and rattled the market and now President Trump is playing hardball again on Tariffs with everybody, changing his tune and upending international trade agreements. Good, bad,

or indifferent, this is the kind of uncertainty that can roil the stock market. And we still have the on-again/off-again potential powder keg situations in North Korea, Iran, Syria and the rest of the Mideast and Near East hotspots where the action has picked up again.

This is why we believe that "Sell in May" is critical this year. Not selling willy-nilly and going away, but making the kinds of tactical, strategic moves we have already begun to implement and waiting for a better buying opportunity more likely later in Q3 or early Q4 as is quite common in the midterm year — what we call the "Bottom Picker's Paradise" right at the [sweet spot of the 4-year cycle](#).

As we enter the cruel month of June, the last month of NASDAQ's Best 8 Months, our technical indicators are beginning to sour. So be nimble, stay vigilant and ready to take on a more defensive, risk-off position over the next several weeks and months.

June Almanac: Worst Month in Midterm Years

June has shone brighter on NASDAQ stocks over the last 47 years as a rule ranking ninth with a 0.6% average gain, up 25 of 47 years. This contributes to NASDAQ's "Best Eight Months" which ends in June. June ranks near the bottom on the Dow Jones Industrials just above September since 1950 with an average loss of 0.3%. S&P 500 performs poorly as well, ranking tenth, but essentially flat (-0.02% average).

In midterm years since 1950, June is ranked #12, or dead last, for DJIA and S&P 500. June has been the 10th worst month for NASDAQ in midterm years, since 1971. Average losses range from 1.6% on NASDAQ to 1.9% on the S&P 500. Of the three indexes, none has a winning track record in midterm year Junes. All have declined more than they have risen.

| Midterm-Year June since 1950 | | | | |
|------------------------------|-------------------|-------|----|------|
| | Rank ¹ | Avg % | Up | Down |
| DJIA | 12 | -1.7 | 7 | 10 |
| S&P 500 | 12 | -1.9 | 6 | 11 |
| NASDAQ* | 10 | -1.6 | 5 | 6 |

¹ Based upon the average historical monthly performance of the indices in comparison to other months of the year.
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| June (1950-2017) | | | | |
|------------------------------------------------------|--------------------|----------------|------------------|--|
| | DJIA | S&P 500 | NASDAQ | |
| Rank ² | 11 | 10 | 9 | |
| # Up | 32 | 36 | 25 | |
| # Down | 36 | 32 | 22 | |
| Average % | -0.3 | -0.02 | 0.6 | |
| 4-Year Presidential Election Cycle Performance by % | | | | |
| Post-Election | -1.1 | -0.6 | 0.4 | |
| Mid-Term | -1.7 | -1.9 | -1.6 | |
| Pre-Election | 0.8 | 1.2 | 1.9 | |
| Election | 0.9 | 1.3 | 1.6 | |
| Best & Worst June by % | | | | |
| Best | 1955 6.2 | 1955 8.2 | 2000 16.6 | |
| Worst | 2008 -10.2 | 2008 -8.6 | 2002 -9.4 | |
| June Weeks by % | | | | |
| Best | 6/7/1974 6.4 | 6/2/2000 7.2 | 6/2/2000 19.0 | |
| Worst | 6/30/1950 -6.8 | 6/30/1950 -7.6 | 6/15/2001 -8.4 | |
| June Days by % | | | | |
| Best | 6/28/1962 3.8 | 6/28/1962 3.4 | 6/2/2000 6.4 | |
| Worst | 6/26/1950 -4.7 | 6/26/1950 -5.4 | 6/29/2010 -3.9 | |
| June 2018 Bullish Days ³ : Data 1997-2017 | | | | |
| | 1, 7, 8, 14 | 1, 4, 14, 15 | 4, 15, 19, 24-29 | |
| | 18, 27 | 18, 19 | | |
| June 2018 Bearish Days ⁴ : Data 1997-2017 | | | | |
| | 11, 21, 22, 25, 26 | 5, 12, 25, 26 | 11, 12, 21, 25 | |

² Based upon the average historical monthly performance of the indices in comparison to other months of the year.
³ Based on the S&P 500 Rising 60% or more of the time on a particular trading day.
⁴ Based on the S&P 500 Falling 60% or more of the time on a particular trading day.



Events Calendar

Probabilities Fund Management, LLC invites you to join us at any of the following upcoming events:



**Founder & Chief Investment Officer
Joseph B. Childrey &
Chief Market Strategist Jeffrey Hirsch
Advisor Dinner @ Marmont Steakhouse**
222 Market Street, Philadelphia, PA – June 11

**Founder & Chief Investment Officer
Joseph B. Childrey
Advisor Dinner @ Ruth's Chris Steak House**
1800 Market Street, Philadelphia, PA – June 12

**Founder & Chief Investment Officer
Joseph B. Childrey
Advisor Dinner @ Ruth's Chris Steak House**
920 2nd Ave South, Minneapolis, MN – June 27

**Founder & Chief Investment Officer
Joseph B. Childrey
Advisor Dinner @ Benny's Chop House**
444 N. Wabash Avenue, Chicago, IL – June 28

**Chief Market Strategist
Jeffrey Hirsch
Market Outlook Webinar**
July 17

**CalALTs 9th Annual
Summer Social**
Hosted at Founder & Chief Investment Officer
Joseph B. Childrey's Penthouse in Little Italy
San Diego – July 18 – 4pm - 9pm

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

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PROBABILITIES
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The Seasonal Strategist

Market at a Glance

Psychological: *Resolute.* Market volatility this year has reminded everyone that the market does not always go straight up in a nice predictable path. This has not deterred many from remaining bullish. According to *Investor's Intelligence* Advisors Sentiment survey bulls are at 50.0%. Correction advisors are down to 30.8% and Bearish advisors are just 19.2%. The recent increase in bullish sentiment has coincided with broad market strength and will likely fade just as quickly should the market falter for more than just a few days.

Fundamental: *Firm.* Most incoming data suggests the economy is on firm ground. The labor market appears tight with unemployment at 3.9%, but labor force participation is still well below its all-time high. Growth forecasts for the current quarter remain strong with Atlanta Fed *GDPNow* model forecasting 4.7%. Corporate profits are firm as well. Risks include protectionist policy (new tariffs), renewed European Union concerns (Italy) and midterm elections. It is always a good idea to be aware of what could happen, just don't lose sight of what is happening.

Technical: *Range bound.* Until DJIA, S&P 500, and NASDAQ all make higher highs or lower lows this best describes their recent trading. Recent NASDAQ strength is encouraging, but NASDAQ alone cannot pull the broader market higher. Mid-May's breakout above April's high by DJIA and S&P 500 is increasingly looking like a fake out. Key support remains right around each index's 200-day moving average.

Monetary: *1.50-1.75%.* May's Fed meeting came and went with little drama. Interest rates were left unchanged, inflation was seen running near target and labor market conditions remain firm. Currently, there is an 83.8% chance of a rate hike at the June meeting based upon the CME Group's *FedWatch* Tool. Rates are still quite accommodative to continued growth within historical context.

Seasonal: *Bearish.* June is the last month of NASDAQ's "Best Eight Months." NASDAQ's Seasonal MACD Sell signal can occur as soon as June 1. In midterm years, June really struggles. June is #12 DJIA and S&P 500 #10 for NASDAQ with average monthly gains ranging from -1.6% to -1.9%.

**“Sell in May”
is critical this year.
Not selling willy-nilly and
going away, but making the
kinds of tactical, strategic moves
we have already begun to
implement and waiting for a
better buying opportunity more
likely later in Q3 or early Q4
as is quite common in
the midterm year.”**

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.

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