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November Almanac: First of the "Best Months"

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November maintains its status among the top performing months as fourth-quarter cash inflows from institutions drive November to lead the best *consecutive* three-month span November-January. The month has taken hits during bear markets and November 2000, down –22.9% (undecided election and a nascent bear), was NASDAQ's second worst month on record — only October 1987 was worse.

November begins the "Best Six Months" for the DJIA and S&P 500, and the "Best Eight Months" for NASDAQ. Small caps come into favor during November, but don't really take off until the last two weeks of the year. November is the number-three DJIA (since 1950) and NASDAQ (since 1971) month. November is second best for S&P 500 (since 1950).

In midterm years, November's market prowess is relatively unchanged. DJIA has advanced in 13 of the last 17 midterm years since 1950 with an average gain of 2.5%. S&P 500 has also been up in 13 of the past 17 midterm years, gaining on average 2.6%. The only real blemish in the November midterm-year record is 1974 (DJIA –7.0%, bear market ended in December).

Midterm Year November since 1950

	Rank[1]	Avg %	Up	Down
DJIA	2	2.5	13	4
S&P 500	2	2.6	13	4
NASDAQ*	2	3.7	7	4

[1] *Based upon the average historical monthly performance of the indices in comparison to other months of the year.*

** Since 1973*

November Vital Stats (1950-2017)

	DJIA		S&P 500		NASDAQ	
Rank[2]	3		2		3	
# Up	46		46		32	
# Down	22		22		15	
Average %	1.6		1.5		1.6	
4-Year Presidential Election Cycle Performance by %						
Post-Election	1.9		1.8		2.4	
Mid-Term	2.5		2.6		3.7	
Pre-Election	0.3		0.3		0.9	
Election	1.7		1.5		–0.3	
Best & Worst November by %						
Best	1962	10.1	1980	10.2	2001	14.2
Worst	1973	–14.0	1973	–11.4	2000	–22.9
November Weeks by %						
Best	11/28/2008	9.7	11/28/2008	12.0	11/28/2008	10.9
Worst	11/21/2008	–5.3	11/21/2008	–8.4	11/10/2000	–12.2
November Days by %						
Best	11/13/2008	6.7	11/13/2008	6.9	11/13/2008	6.5
Worst	11/20/2008	–5.6	11/20/2008	–6.7	11/19/2008	–6.5
November 2018 Bullish Days3: Data 1997-2017						
	5-7, 13, 15, 23 26-29		2, 5, 6, 23, 29		1, 2, 5, 6, 23, 29	
November 2018 Bearish Days4: Data 1997-2017						
	12		9, 30		9	

[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.*

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November Outlook: Midterm Time Is Bullish

For the past several months we have often heard investors and commentators saying, "Sell in May did not work this year and it hasn't worked for the past several years" or "Sell in May is dead." Not true. Everyone forgot about October. We always are leery of October.

The recent spell of 2-3% daily market moves has many concerned that this could turn into something more sinister or bearish. That is always a concern and still possible, but it does not appear to be highly likely at this time. Current market action is less tame than it has been over the past several months and years, but the quantity and magnitude of these larger daily moves is minor and not indicative of a deeper downdraft.

We looked back to 1997 and found that mild clusters of 2-3% daily market moves like the current one have occurred around mild corrections, as we had from late January to early April 2018, and "mini-bears" like we had from August 2015 to February 2016. What is going on right now does not compare with the more alarming rate of big daily moves at more negative market junctures.

S&P 500 After President Loses The House in The Midterms

Year	President	% Seat Loss	October % Chg	Jan 1 to Elec Day	Elec Day Dec 31	Year	Elec Day Mar 31	Elec Day Jun 30
1946	D: Truman	– 22.6%	– 0.8%	– 15.5%	4.3%	– 11.9%	3.4%	3.7%
1954	R: Eisenhower	– 8.1%	– 2.0%	30.8%	10.9%	45.0%	12.8%	26.5%
1994	D: Clinton	– 20.9%	2.1%	– 0.2%	– 1.4%	– 1.5%	7.5%	17.0%
2006	R: G.W. Bush	– 13.3%	3.2%	10.8%	2.6%	13.6%	2.7%	8.7%
2010	D: Obama	– 24.6%	3.7%	7.0%	5.4%	12.8%	11.1%	10.6%

This is October, this is normal. CBOE Volatility Index (VIX) is still relatively calm. Sentiment has come off its high horse and fundamentals remain supportive. Yes we are having some rather typical midterm election politicking and there are some geopolitical, diplomatic and trade concerns, but from our historical vantage point and current analysis our outlook remains positive for the next several months.

Expect some more churning and selling and rallying over the next several days and weeks as the market finds support and wait patiently for technical confirmation before allocating fresh capital to the long side or coming off the sidelines and getting less defensive as we have been for several months.

Meanwhile, midterm election bombast and backbiting have kicked into high gear and speculation is rampant on both sides of the aisle about who is going to control congress, especially the House of Representatives. It is considered a bit of a coup for a sitting President to have a small loss or gain of House seats.

Pages 32 and 100 of the *Stock Trader's Almanac 2018* detail how prosperity is more important than peace to the outcome of the midterm elections and how bullish the days surrounding the midterm elections have been. Many have been concerned that the market will be in trouble if President Trump and the Republican Party lose The House. We have crunched the numbers further and found this has not been the case in the past.

Since the passage of the 20th "Lame Duck" Amendment to the Constitution in 1933, which moved the beginning of terms for newly elected members of Congress in the midterms to January 3 right after the election instead of the following December, 13 months later, there have been five instances when the sitting President lost control of The House.

As you can see in the table here, it did not have a major negative impact on the market; in fact the market has performed more positively in the past after The House

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November Outlook: Midterm Time Is Bullish

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flips from the president's party to the opposition in the midterms.

This selloff may actually make the "Sweet Spot" of the 4-Year Cycle (October 2018 to June 2019) even sweeter. The overbought condition of the market has clearly been remedied. Overarching economic and corporate fundamentals remain solid despite tariff worries and tech weakness. Complacent bullish sentiment has retreated. The Best Months of the year are about to begin in the Sweet Spot of the 4-Year Cycle. An attractive buying opportunity looms large.

Events Calendar

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

TradersEXPO Las Vegas
at Bally's and Paris Resorts
November 12-14
Presenting: Chief Market Strategist,
Jeffrey A. Hirsch

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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Market at a Glance

Psychological: *Persistent.* According to *Investor's Intelligence* Advisors Sentiment survey bulls are still at 50.5%. Correction advisors are at 30.5% and Bearish advisors are just 19.0%. Even after DJIA and S&P 500 gave back nearly all year-to-date gains over 80% of advisors surveyed still expect nothing more than a correction. It's hard to argue with a trend that has been in place for nearly a decade. Absent a significant reversal in economic data, the current pullback is likely to turn out like every other since the March 2009 low, a good buying opportunity.

Fundamental: *Firm-ish.* U.S. labor market remains quite firm with unemployment at just 3.7%. U.S. GDP is also solid with the Atlanta Fed's *GDPNow* model forecasting 3.6% growth for Q3. But, there are a few signs of cracks beginning to form. Housing market and auto sales data has been disappointing. Q3 corporate earnings have also been something less than expected. Share buybacks and tax cuts have boosted earnings, but revenues have been on the light side of expectations at more than just a few companies which has some questioning the validity of 2019 estimates. Estimates remain positive, perhaps just not as high as previously thought. From current market levels and valuations there is still room to the upside.

Technical: *Broken.* DJIA, S&P 500 and NASDAQ have all sunk below their 50- and 200-day moving averages. Relative strength, Stochastic and MACD indicators are all negative. Without a quick rebound back above 200-day moving averages, lows from earlier in the year could be in play. 2018 lows to watch: DJIA 23533, S&P 500 2581 and NASDAQ 6777.

Monetary: *2.00-2.25%.* After nearly a decade of zero or near zero interest rates and highly accommodative policy, the Fed appears to have turned somewhat hawkish. Minutes of the last meeting revealed a board that sounds committed to raising rates at a nice steady pace of at least once a quarter, but the Fed's own growth projections seem to be at odds with continuing this approach. The Fed remains the biggest risk to the market and the economy.

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Seasonal: *Bullish.* November begins the "Best Six Months" for the DJIA and S&P 500, and the "Best Eight Months" for NASDAQ. November also marks the beginning of the best consecutive three-month span November-January. Midterm year Novembers are solid ranking near the top across the board.

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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