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March Almanac: Even Better in Pre-Election Years

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Turbulent 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. Stock prices have a propensity to decline, sometimes rather precipitously, during the latter days of the month. In March 2001, DJIA plunged 1469 points (–13.5%) from March 9 to the 22.

March packs a rather busy docket. It is the end of the first quarter, which brings with it quarterly stock and index options and index futures expiration on the third Friday (AKA "Triple Witching") that have a history of driving an abundance of portfolio maneuvers from The Street. March Triple-Witching Weeks have been quite bullish in recent years. But the week after is the exact opposite, DJIA down 21 of the last 31 years — and frequently down sharply for an average drop of 0.70%. In 2018, DJIA lost 1413 points (–5.67%) 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 decent performing market month, March performs even better in pre-election years (see Vital Stats table below). In pre-election years March ranks: 4th

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Pre-Election Year March since 1950

	Rank[1]	Avg %	Up	Down
DJIA	4	2.0	13	4
S&P 500	4	1.9	13	4
NASDAQ*	4	3.1	10	2

[1] *Based upon the average historical monthly performance of the indices in comparison to other months of the year.*
** Since 1971*

March Vital Stats (1950-2018)

	DJIA		S&P 500		NASDAQ	
Rank[2]	5		4		6	
# Up	44		44		30	
# Down	25		25		18	
Average %	1.1		1.2		0.8	
4-Year Presidential Election Cycle Performance by %						
Post-Election	0.3		0.6		–0.2	
Mid-Term	1.0		1.1		1.3	
Pre-Election	2.0		1.9		3.1	
Election	1.0		1.2		–0.9	
Best & Worst March by %						
Best	1986	8.8	1986	7.1	2000	19.2
Worst	2009	–11.7	2009	–11.0	2001	–22.4
March Weeks by %						
Best	3/13/2009	9.0	3/13/2009	10.7	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 2019 Bullish Days: Data 1998-2018						
	1, 15, 19, 20		1, 5, 13, 15, 19		1, 5, 13, 18-20, 25	
March 2019 Bearish Days: Data 1998-2018						
	21, 22, 26		14, 21, 26		4, 26	

[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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best for DJIA, S&P 500, NASDAQ and Russell 1000 (January, April and December are better). Pre-election year March ranks #3 for Russell 2000. Pre-election year March has been up 13 out of the last 14 for DJIA. In fact, since inception in 1979, the Russell 2000 has a perfect, 10-for-10 winning record.

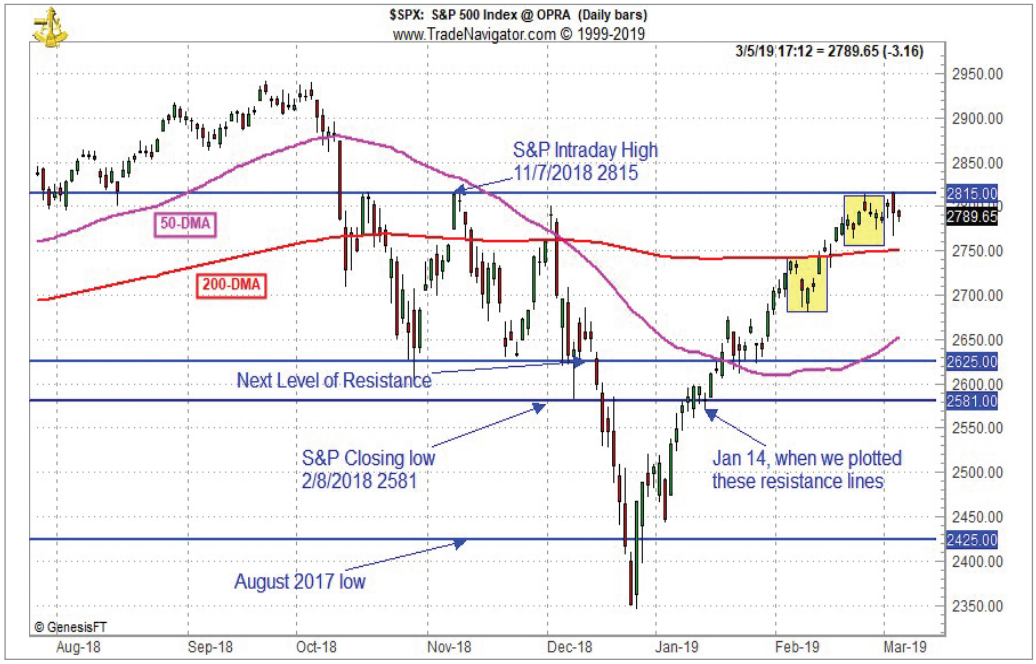
Saint Patrick's Day is March's sole recurring cultural event. Gains the day before Saint Patrick's Day have proved to be greater than the day itself and the day after. Perhaps it's the anticipation of the patron saint's holiday that boosts the market and the distraction from the parade down Fifth Avenue that causes equity markets to languish. Or maybe it's the fact that Saint Pat's usually falls in historically bullish Triple-Witching Week.

Whatever the case, since 1950, the S&P 500 posts an average gain of 0.19% on Saint Patrick's Day (or the next trading day when it falls on a weekend), a gain of 0.13% the day after and the day before averages a 0.24% advance. S&P 500 median values are 0.17% on the day before, 0.20% on Saint Patrick's Day and 0.07% on the day after. In the eleven years when St. Patrick's Day falls on a Saturday, like this year, since 1950, the day before (Friday) produced an average gain of 0.21%, while Monday advanced an average 0.13%.

March Outlook:
Rally Intact Pausing at Resistance and Seasonal Weak Spots

Since Christmas the market has ripped higher on supportive market internals, still solid overall fundamentals and improving technicals. In line with the Seasonal Market Probability Calendar (graphically represented on page 20 of the *Stock Trader's Almanac 2019* in the "February Almanac") the market succumbed to usual February weakness after the first few days of the month and again around the Presidents' Day holiday and again on the usually bearish last trading day of the month.

As you can see in the chart here of the S&P 500 this pause is also coinciding with technical resistance at 2815. We drew this resistance line on the chart over six weeks ago in our "Resistance is Not Futile" post. This resistance sits on the November 7, 2018 intraday high when the rally faltered back in the fall. As noted by our colleague Patti Domm at CNBC, S&P 2800 is the level market technicians are watching closely.



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March Outlook: Rally Intact Pausing at Resistance and Seasonal Weak Spots

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The two yellow boxes in the chart highlight the seasonal weak spots mentioned above from the 4th-7th trading days of February, around Presidents' Day and on the last trading day of the month. After diving through the August 2017 low support level and then springing back up through it on Christmas, the market paused at the February 2018 low resistance level and again at the October-November 2018 lows that were blown out in December. Now that we have cleared the 200- and 50-Day Moving Averages we have the aforementioned November high at 2815 to clear before we can attack new all-time highs.

We don't expect to take out the old high so fast. More likely we will dance around this 2815-level for a few months. Mid-March strength may push us above this level, but then end-of-March weakness is likely to retest this level again. Provided we avoid any unexpected geopolitical snafus the all-time highs could be tested in Q2 and perhaps exceeded, followed by backing and filling in Q3. Then we expect the market to make another run at new highs in the 4th quarter where many Pre-Election Year highs have been logged over the years.

Overall our outlook remains positive. Seasonal indicators are strong with our January Indicator Trifecta positive 3-for-3 and the Best Six Months back in the black up about 3% across the board after a wild ride at the end of 2018. The market has impressively digested the dynamic news flow so far this year with an improved market internal environment as the NYSE Advance-Decline made new highs recently illustrating the broad participation in the rally.

There may be bumps and volatility this year, most likely around the end of March and during the Worst Four Months July-October. But in the end we expect solid gains for 2019.

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. The Russell 2000 Index is an unmanaged composite of the bottom 2,000 stocks in the Russell 3000 Index. The Russell 3000 Index is an unmanaged composite of the 3,000 largest publicly held companies incorporated in America as measured by total market capitalization. The Russell 2000 index is widely used by professional investors as a performance benchmark for small-cap stocks.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

Seasonal: *Bullish.* In March the market tends to perform better in the first half than the second half. In pre-election years March has historically performed better than average with DJIA and NASDAQ ranking climbing to fourth best (S&P 500 is unchanged). Russell 2000 March performance improves to third best.

Psychological: *Skeptical.* According to *Investor's Intelligence* Advisors Sentiment survey bulls are at 52.4%. Correction advisors are at 27.2% and Bearish advisors are 20.4%. Typically at these levels, we would interpret sentiment to be somewhat excessively bullish however, given the markets nine-week winning streak it is surprising there are not even more bulls. This suggests that there may still be a healthy amount of doubt (and capital on the sidelines) that could fuel the market even higher.

Fundamental: *Mostly firm.* U.S. growth is still expected to slow due to the fading effects of tax cuts, but it is not forecast to fall off a cliff. Corporate earnings may also slow as year-over-year comparisons are tougher. However, employment is still firm with 304,000 net new jobs added in January while inflation is remaining largely in check. Housing and autos are still challenged due to higher interest rates than in the recent past. Recent stabilization in rates could provide some aid to confidence and the overall economy.

Technical: *Recovering.* DJIA, S&P 500, NASDAQ and Russell 2000 continued to climb throughout February. DJIA, S&P 500 and NASDAQ have all reclaimed their respective 200-day moving averages; Russell 2000 is currently struggling with this key level. Respective 50-day moving averages have turned up. Further gains are needed to drive the 50-day moving average back above the 200-day moving average. NYSE and S&P 500 cumulative daily advance/decline lines have bullishly climbed back above previous highs.

> ***"DJIA, S&P 500 and NASDAQ have all reclaimed their respective 200-day moving averages… advance/decline lines have bullishly climbed back above previous highs…. Fed officials since their last meeting in January, all appear to be sticking to a more dovish tone regarding future potential rate increases."***

Monetary: *2.25-2.50%.* Even though we have heard from some Fed officials since their last meeting in January, they all appear to be sticking to a more dovish tone regarding future potential rate increases. The next Fed meeting on March 19-20, will provide additional clarity. Until then, the new status quo will likely not change.

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