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April Almanac: Up Thirteen Years in a Row

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The first trading day of April and the second quarter, has enjoyed notable strength over the past 24 years, advancing 17 times with an average gain of 0.37% in all 24 years for S&P 500. However, four of the seven declines have occurred in the last six years. Other declines were in 2001, 2002 and 2005. DJIA's record on April's first trading day matches the S&P 500, 17 advances in 24 years. NASDAQ recent performance is slightly weaker than DJIA and S&P 500, but the day is still bullish for technology stocks in general.

April marks the end of our "Best Six Months" for DJIA and the S&P 500. On April 1st, we will begin looking for our seasonal technical sell signal and corresponding early signs of seasonal weakness. Even in historically strong pre-election years the "Worst Six Months" have been lackluster on average.

April 1999 was the first month to gain 1000 DJIA points. However, from 2000 to 2005, "Tax" month was hit, declining in four of six years. Since 2006, April has been up thirteen years in a row with an average gain of 2.3% to reclaim its position as the best DJIA month since 1950. April is third best for S&P and fourth best for NASDAQ (since 1971).

The first half of April used to outperform the second half, but since 1994 that has no longer been the case. The effect of April 15 Tax Deadline appears to be diminished with numerous bullish days present on either side of the day.

Traders and investors tend to be more focused on first quarter earnings and guidance during April. Exceptional Q1 earnings and

(continued on page 2)

Pre-Election Year April since 1950

	Rank[1]	Avg %	Up	Down
DJIA	1	4.0	14	3
S&P 500	2	3.5	16	1
NASDAQ*	3	3.5	11	1

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

April Vital Stats (1950-2018)

	DJIA		S&P 500		NASDAQ	
Rank[2]	1		3		4	
# Up	47		49		31	
# Down	22		20		17	
Average %	1.9		1.4		1.3	
4-Year Presidential Election Cycle Performance by %						
Post-Election	1.9		1.5		2.4	
Mid-Term	0.7		0.2		–0.1	
Pre-Election	4.0		3.5		3.5	
Election	0.9		0.6		–0.4	
Best & Worst April by %						
Best	1978	10.6	2009	9.4	2001	15.0
Worst	1970	–6.3	1970	–9.0	2000	–15.6
April Weeks by %						
Best	4/11/1975	5.7	4/20/2000	5.8	4/12/2001	14.0
Worst	4/14/2000	–7.3	4/14/2000	–10.5	4/14/2000	–25.3
April Days by %						
Best	4/5/2001	4.2	4/5/2001	4.4	4/5/2001	8.9
Worst	4/14/2000	–5.7	4/14/2000	–5.8	4/14/2000	–9.7
April 2019 Bullish Days: Data 1998-2018						
	1, 2, 4, 9, 12, 15 16, 18, 22, 25-29		1, 2, 4, 8, 16, 17 22, 29		1-3, 8, 10, 16 22, 29	
April 2019 Bearish Days: Data 1998-2018						
	5, 30		5, 30		5, 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.*

Inside

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(continued from page 1)

positive surprises tend to be anticipated with stocks and the market moving up in advance of the announcements and consolidating or correcting afterwards.

Typical pre-election year strength does bolster April's performance since 1950. April is DJIA's best month in pre-election years (+4.0%), second best for S&P 500 (+3.5%) and third best for NASDAQ (+3.5%).

Options expiration week frequently impacts the market positively in April and DJIA has the best track record since 1990, with an average gain of 1.3% for the week with just five declines in 28 years. The first trading day of expiration week has a slightly better record than expiration day and the week as a whole is generally marked by respectable gains across the board. The week after has a softer long term-record, but still has a bullish leaning record.

Good Friday (Passover and Easter) lands in April's option expiration week this year. Historically the longer-term track record of Good Friday (page 88 of *Stock Trader's Almanac* 2019) is bullish with notable average gains by DJIA, S&P 500 and NASDAQ on the trading day before. NASDAQ has advanced 17 of the last 18 days before Good Friday. Monday, the day after Easter has exactly the opposite record and is in the running for the worst day after of any holiday. Since 2004 the day after has improved.

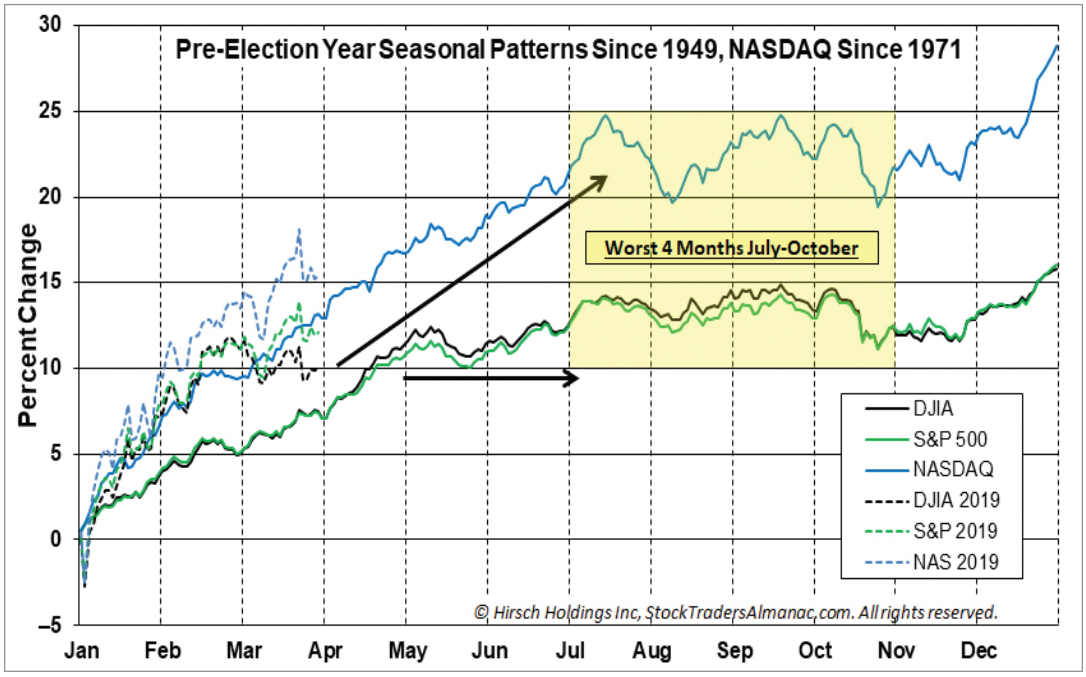
April Outlook: End Q1 Consolidation Resolves Higher In April

April is the last month of DJIA's and S&P 500's "Best Six Months" of the year. As you can see in the accompanying chart of the "Pre-Election Year Seasonal Patterns" the major U.S. stock market indices have historically rallied quite sharply through April. Then DJIA in black and S&P 500 in green historically begin to move sideways at the beginning of the "Worst Six Months" (Sell in May) in May and June while NASDAQ in blue continues to run higher through June. This is a clear illustration of NASDAQ's "Best 8 Months."

*"**Best Case** – Everything resolves quickly. Fed becomes accommodative. Trade deals are worked out expeditiously. Trump tacks towards the center and works with congress and does not get "Muellered." Typical pre-election year gains of 10-15% for Dow and S&P 500 and 20-30% for NASDAQ."*

(continued on page 3)

It is during the "Worst 4 Months" July-October where the market is most prone to bumps, pullbacks and corrections with August and October standing out on the chart in Pre-Election Years. However, with our January Indicator Trifecta coming in 3-for-3 positive our 2019 Annual Forecast Best Case scenario looks to be playing out:



April Outlook: End Q1 Consolidation Resolves Higher In April

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We would not be sold bold as to say everything has resolved, but the Fed has surely become accommodative. President Trump has tacked to the center a bit and avoided being "Muellered." It would help if Congress and the President would work more together, but you can't expect everything. There is no trade deal with China yet, but it sure seems imminent. Then there is Brexit risk. The latest watercooler polls have even money on which comes first, a China trade deal or a resolution to Brexit. In-house handicapping is laying odds on China at the moment.

Technically speaking we are still dancing around the formidable resistance we discussed last month at the 2815 level on the S&P 500. It would not be surprising if we left 2815 behind for a while and made a run at new highs. We could easily test 2815 as support during a correction later this year. New highs are likely again in Q4. We are more concerned about a bear market next year when bare-knuckle election-year politics is likely to get nastier and global economic woes could take their toll.

Yield Curve Inversion Hysteria

Finally, let's address all the hysteria around the latest yield curve inversion. The Fed caught the market off-guard when it did a 180 at its last FOMC meeting by going completely dovish and ending the tightening cycle for all intents and purposes. This sudden change in policy stance further inverted the yield curve. This has created a Fed vs. Market situation.

Growth has been looking tepid and with US interest rates much more attractive than international markets there has been greater demand for US Treasuries, driving short term rates lower causing this inversion of the short end of the yield curve. This is likely to resolve as the Atlanta Fed's *GDPNow* model estimate for 2019 Q1 is now trending higher.

Yes, an inverted yield curve is not a great sign, but our research found that historically it really has not been until the Effective Fed Funds Rate is higher than the entire yield curve, including the long end, that we have had an indication that a recession is imminent.

Even still the two complete inversions back in December 1985 and December 1986 were several years before the Gulf War 1 fueled the July 1990 to March 1991 recession. Point being these short-middle end yield curve inversion have not historically been especially indicative of an impending recession anytime soon.

So following what has been a typical end of Q1 consolidation, we expect an April-June rally to test the highs, followed by a potential August-October hit, with a strong finish for 2019 before we have to contend with another contentious battle for control in Washington in 2020.

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

Psychological: *Uneasy.* According to *Investor's Intelligence* Advisors Sentiment survey bulls are at 52.0%. Correction advisors are at 27.4% and Bearish advisors are 20.6%. Bullish advisors have exceeded 50% of the total for six weeks straight. There have been much, much longer streaks most notably during the "Best Months." Bullish sentiment is elevated which suggests the majority of those that want to own stocks, likely do. Absent new demand markets could slip into a range while traders and investors await the next catalyst to push them higher.

Fundamental: *Reasonably firm.* Atlanta Fed *GDPNow* estimate is trending higher and currently stands at 2.1% with a new update due on Tuesday. This is a well below the current administrations goal of 3% or better, but it is still positive. Unemployment is just 3.8%. Inflation is under control. Tax cuts are still in effect and regulation has been easing. Trade issues with China remain an issue, but negotiations are in progress. There appears to be a fair foundation in place for future growth once trade is addressed and when Brexit finishes.

Technical: *Mixed.* Up until the end of February DJIA, S&P 500 and NASDAQ were all charging higher. Since then DJIA has been trending lower while S&P 500 and NASDAQ climbed to new recovery highs in mid-March. NASDAQ and S&P 500 took a crack at breaking through resistance but failed to move any higher as DJIA was a no show. Until these divergences are rectified, each index is likely to be stuck dealing with its own issues and resistance levels.

Monetary: *2.25-2.50%.* Surprise, the Fed just went full-blown dovish. Unfortunately the market was not really expecting such an abrupt change in course. The result was further inversion of the Treasury yield curve as bond traders reacted to the announcement and subsequent press conference. The tightening cycle is likely over. Another hike, even much later this year, risks fully inverting the Treasury yield curve. A fully inverted curve has proceeded every recession since 1960 with few exceptions.

"Surprise, the Fed just went full-blown dovish.... The tightening cycle is likely over. Another hike, even much later this year, risks fully inverting the Treasury yield curve. A fully inverted curve has proceeded every recession since 1960 with few exceptions."

Seasonal: *Bullish.* April is the best DJIA month since 1950, third best for S&P and fourth best for NASDAQ (since 1971). April is also the last month of the "Best Six Months."

More Information

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