SEASONAL STRATEGIST
MONTHLY STOCK MARKET UPDATES

PROBABILITIES
FUND MANAGEMENT, LLC

Volume 5, Issue 6 | Published by Probabilities Fund Management, LLC | June 2019

June Almanac: Better in Pre-Election Years

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June has shone brighter on NASDAQ stocks over the last 48 years as a rule ranking eighth with a 0.6% average gain, up 26 of 48 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 similarly poorly, ranking tenth, but essentially flat (–0.02% average).

In pre-election years since 1950, June ranks no better than mid-pack. June is the #8 DJIA month in pre-election years averaging a 0.8% gain with a record of nine advances in seventeen years. For S&P 500, June is #5 with an average gain of 1.2% (10-7 record). Pre-election year June ranks #6 for NASDAQ with an average gain of 1.9%. Recent pre-election year Junes in 2015, 2011 and 2007 were troublesome for the market as DJIA, S&P 500 and NASDAQ all declined.

The second Triple Witching Week of the year brings on some volatile trading with losses frequently exceeding gains. On Monday of Triple-Witching Week the Dow has been down thirteen of the last twenty-two years. Triple-Witching Friday is better, up ten of the last sixteen years, but weaker over the past 26 years, up fourteen, down

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Pre-Election Year June since 1950

	Rank[1]	Avg %	Up	Down
DJIA	8	0.8	9	8
S&P 500	5	1.2	10	7
NASDAQ*	6	1.9	7	5

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

June Vital Stats (1950-2018)

	DJIA		S&P 500		NASDAQ	
Rank[2]	11		10		8	
# Up	32		37		26	
# Down	37		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		–1.8		–1.4	
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	6/24/2016	–4.1
June 2019 Bullish Days: Data 1998-2018						
	3, 7, 10, 14 18, 26		3, 4, 14, 17, 19		4, 17, 19, 26-28	
June 2019 Bearish Days: Data 1998-2018						
	11, 12, 24		12, 24, 25		12, 24	

[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

June Almanac: Better in Pre-Election Years

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twelve with an average loss of 0.23%. Full-week performance is choppy as well, littered with greater than 1% moves in both directions. The week after Triple-Witching Day is horrendous. This week has experienced Dow losses in 25 of the last 29 years with average losses of 1.09%. NASDAQ has fared better during the week after, but this trend appears to be fading.

June's first trading day is the Dow's best day of the month, up 24 of the last 31 years. Gains are sparse throughout the remainder of the month until the last three days when NASDAQ stocks begin to exhibit strength. The last day of the second quarter is a bit of a paradox as the Dow has been down 17 of the last 28 while NASDAQ has nearly the opposite record.

June Outlook: May's Selloffs Yield June Boons

On the heels of one of the strongest January to April starts, May was destined for weakness. But this bodes well for June. May is notoriously weaker in pre-election years, like 2019, and after big starts to the year. The first four months of 2019 were up 17.5% for the S&P 500, the third best since 1950. Following the previous top 20 starts May was down 9 times for an average gain of 0.2%. June is more bullish in general during pre-election years and even more so after weak Mays. After big starts, 7 of the 9 subsequent May declines were followed by big gains in June.

Bonds yields have been falling and an inverted yield curve is not a great sign, but our research finds that it really isn't until the Effective Fed Funds Rate is higher than the entire yield curve, including the long end, that you get an indication that a recession is imminent. Even still the two complete inversions back in December 1985 and December 1986 were years before Gulf War 1 fueled the July 1990 to March 1991 recession. Point being these short-middle end yield curve inversions are not especially indicative of an impending recession anytime soon. The Fed projected slowing growth and they can fix the inverted yield curve in a single action. Plus this is right in line with bond seasonality. Falling yields are typical this time of year during the worst six months.

Technically the market is under pressure and looking for support here at S&P 2775, which sits right at the

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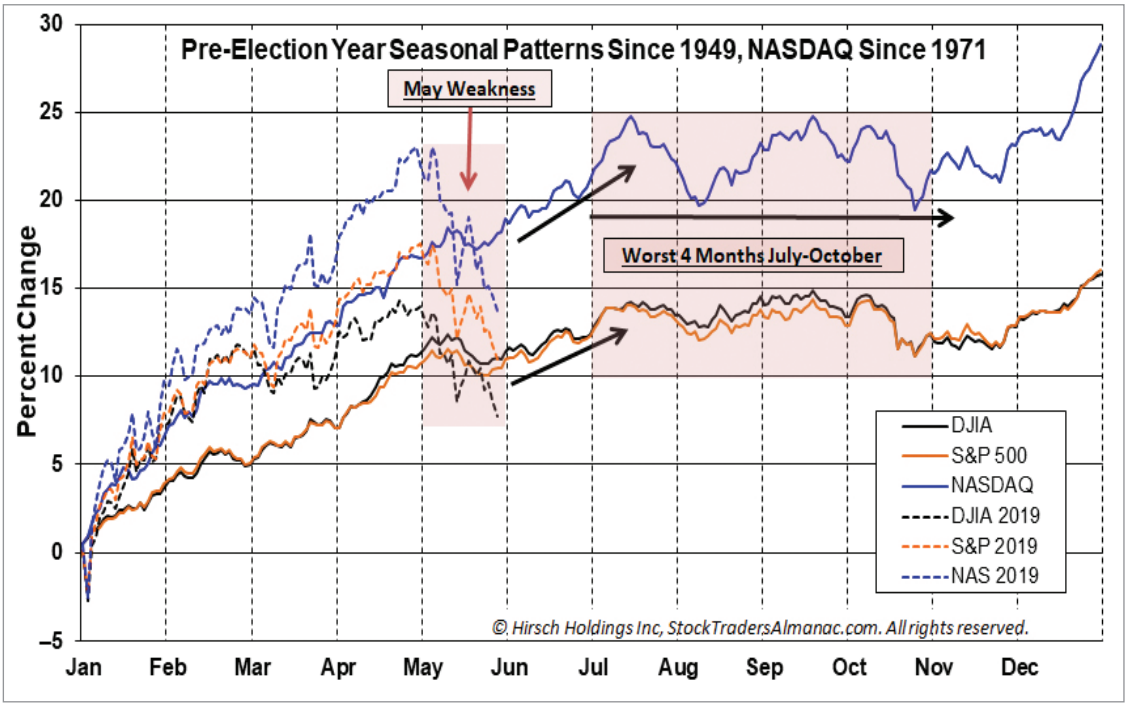

June Outlook: May's Selloffs Yield June Boons

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200 DMA, but also runs through several gaps, consolidations and resistance levels over the past year and a half. It tested 2775 May 29 and bounced off it again May 30. 2725 is the next level of support near the March lows — a 7.5% correction. The next level of support is 2650, at the top of the December V-drop and end of January breakout — a 10% Correction. Then 2580 at the February/April 2018 lows — 12.4% correction.

President Trump and the Fed are highly sensitive to market action. Last fall was a case in point. The Fed did a 180 and ceased the rate tightening cycle and Trump delayed the tariffs. If the stuff hits the fan and the market nears bear territory both will likely act quickly. Mr. Trump is a business and market cycle watcher and knows he needs a bull market for reelection. He has hung his hat on it. Expect a deal with China after the summer or sooner if the market drops further so that Trump can point to new highs as we head into the election year.

The recent decline in market sentiment is not a bad sign. Market sentiment is generally a contrary indicator. Markets climb walls of worry because folks on the sideline slowly feel left out and creep back in. Market Sentiment was elevated recently but not extreme. Besides it's the worst six months and markets struggle at this time of year. Add in the China trade battle and domestic political squabbles and folks are prone to shift their attention away from Wall Street and head for the beach.

As illustrated in the accompanying chart, overall the market is tracking the seasonal patterns quite closely, especially for a pre-election year — albeit with a bit more magnitude than average. We are not expecting a bear market to emerge in the near-term, but a correction or pullback like the market experienced in Q4 of last year is now in the cards. After the market's stellar four-month run, at a bare minimum a period of backing and filling in the near-term is likely. While we do not anticipate much upside over the next 5 months or so, June is set up for a boon.

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: *Neutral.* June is the second month of DJIA and S&P 500 "Worst Six Months," it also is the last month of NASDAQ "Best Eight Months." Historically a tepid month, June has recorded respectable gains in pre-election years and following down Mays in years with strong starts.

Psychological: *Slipping.* According to *Investor's Intelligence* Advisors Sentiment survey bulls are at 49.0%. Correction advisors are at 33.7% and Bearish advisors are 17.3%. Bullish advisors exceeded 50% for thirteen weeks straight peaking at 56.4 at the end of April and have been below 50% for the past two readings. This decline in bullish sentiment is likely being driven by recent market declines and the start of the "Worst Six Months." Declining bullish sentiment is a positive, but it has not yet reached levels typically associated with new buying opportunities.

Fundamental: *Reasonably firm.* Even though first quarter U.S. GDP was revised down to 3.1%, it is still above 3% and past estimates. This suggests that there is a reasonable chance that current Q2 estimates are also low. Q1 corporate earnings were also better than widely anticipated. Yes earnings compared to year ago figures were not spectacular, but they are still growing and expected to accelerate later this year and next. Unemployment is also consistently low and stable while wages and productivity are improving. The "sugar high" from tax cuts has ended, but the overall outlook is still looking fair.

Technical: *Consolidating?* DJIA, S&P 500 and NASDAQ all had great runs from the December lows. S&P 500 and NASDAQ even traded at new all-time highs, DJIA did not. The current pullback could be blamed on a myriad of things, valuations, earnings, trade, geopolitics, "Sell(ing) in May," etc. Or perhaps it is just a typical May pullback like many of our charts and patterns suggested prior. Nonetheless, early March lows have not been violated by all three indices and selling appears to be abating.

Monetary: *2.25-2.50%.* Partial yield curve inversion, slowing growth estimates and below target inflation metrics. That single sentence alone is probably adequate support for a rate cut or two by the Fed. Likely that is exactly what the Fed will do next. The only hurdle is the lingering belief that rates should be higher because they used to be higher in the past.

"Partial yield curve inversion, slowing growth estimates and below target inflation metrics. That single sentence alone is probably adequate support for a rate cut or two by the Fed. Likely that is exactly what the Fed will do next."

More Information

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6478-NLD-06/03/2019