

# SEASONAL STRATEGIST

## MONTHLY STOCK MARKET UPDATES



**PROBABILITIES**  
FUND MANAGEMENT, LLC

Volume 5, Issue 11

Published by Probabilities Fund Management, LLC

November 2019

## November Almanac: First Month of Best 3 Consecutive Month Span

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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. However, 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-two DJIA (since 1950) and NASDAQ (since 1971) month. November is best for S&P 500 (since 1950).

In pre-election years, November's performance is noticeably weaker. DJIA has advanced in nine of the

last 17 pre-election years since 1950 with an average gain of 0.3%. S&P 500 has been up in 10 of the

past 17 pre-election years, also gaining on average a rather paltry 0.3%. Techs perform better with NASDAQ climbing in 7 of the last 12 pre-election year Novembers with an

average 0.9% gain. Contributing to pre-election year November's

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| Pre-Election Year November since 1950 |                   |       |    |      |
|---------------------------------------|-------------------|-------|----|------|
|                                       | Rank <sup>1</sup> | Avg % | Up | Down |
| DJIA                                  | 9                 | 0.3   | 9  | 8    |
| S&P 500                               | 9                 | 0.3   | 10 | 7    |
| NASDAQ*                               | 9                 | 0.9   | 7  | 5    |

<sup>1</sup> Based upon the average historical monthly performance of the indices in comparison to other months of the year.  
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| November Vital Stats (1950-2018)                    |                              |       |             |       |                              |       |
|---|------------------------------|-------|-------------|-------|------------------------------|-------|
|   | DJIA                         |       | S&P 500     |       | NASDAQ                       |       |
| Rank <sup>2</sup>                                   | 2                            |       | 1           |       | 2                            |       |
| # Up  | 47                           |       | 47          |       | 33                           |       |
| # Down  | 22                           |       | 22          |       | 15                           |       |
| Average %   | 1.6                          |       | 1.60        |       | 1.6                          |       |
| 4-Year Presidential Election Cycle Performance by % |                              |       |             |       |                              |       |
| Post-Election                                       | 1.9                          |       | 1.8         |       | 2.4                          |       |
| Mid-Term  | 2.5                          |       | 2.6         |       | 3.5                          |       |
| 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  | 12/21/2008  | -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 2019 Bullish Days: Data 1998-2018          |                              |       |             |       |                              |       |
|   | 5-7, 13, 15, 21<br>22, 25-27 |       | 4-6, 25, 27 |       | 1, 5-7, 13, 21<br>22, 25, 27 |       |
| November 2019 Bearish Days: Data 1998-2018          |                              |       |             |       |                              |       |
|   | 11, 12                       |       | 11, 29      |       | 11                           |       |

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

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## November Almanac: First Month of Best 3 Consecutive Month Span

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weaker performance are nasty declines in 1987, 1991 and 2007.

Being a bullish month November has five bullish S&P 500 days, though it does have weak points. NASDAQ exhibits the greatest strength at the beginning and end of November. Recent weakness around Thanksgiving

has shifted DJIA and S&P 500 strength to mirror that of NASDAQ with the majority of bullish days at the beginning and end of the month. The best way to trade Thanksgiving is to go long into weakness the week before the holiday and exit into strength just before or after. DJIA has been up 19 of the last 26 weeks before Thanksgiving.

## November Outlook: Best Six Months Underway

Despite scary trading on Halloween spooked by the latest trade and impeachment fears, the market has been rising steadily since our October 11 Seasonal Best Six Months MACD Buy Signal. Our defensive positions did well while the market gained little ground from our May 1st Sell Signal until our October 11 Buy Signal.

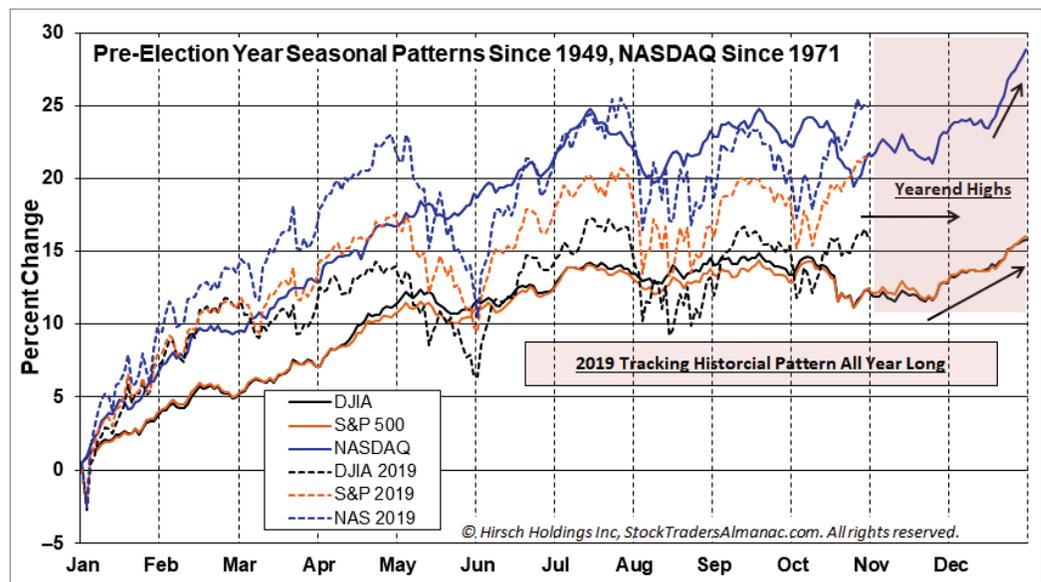
Now that we've survived *Octoberphobia* and the market has begun to strengthen again, breaking out above support and logging new highs on the S&P 500, we are likely to experience a bit of consolidation in November. Normally the top S&P month of the year and #2 for DJIA and NASDAQ, November is considerably weaker in Pre-Election Years.

As you can see in the updated chart of Pre-Election Year Seasonal Patterns overlaid with 2019 we have been tracking all year November tends to be flat in the Pre-Election Year with a pop around Thanksgiving. Then after the usual first half of December softness the market tends to push toward additional new highs near yearend. Considering the banner performance so far this year and the uncanny tracking of this historical seasonal pattern, we expect the stock to consolidate over the next few weeks and then resume the march to new highs.

Technically, the market has a little work to do here to convert the old highs and resistance levels we [discussed two months ago](#) into support before we can comfortably move to new higher highs. Fundamentals are also encouraging with Q3 GDP and earnings numbers coming in better than expected, jobs data remaining strong and an accommodative Fed that appears to have effectively lowered rates in a mid-cycle adjustment.

Market internals have also improved and most encouraging is the rising Advance-Delay Lines. Broad market participation is apparent in this chart of the S&P 500 in black, DJIA in green, NASDAQ in blue and the Russell 2000 in pink with their respective A/D Lines in the lower panes. For better perspective we've included the NYSE Composite A/D line in green instead

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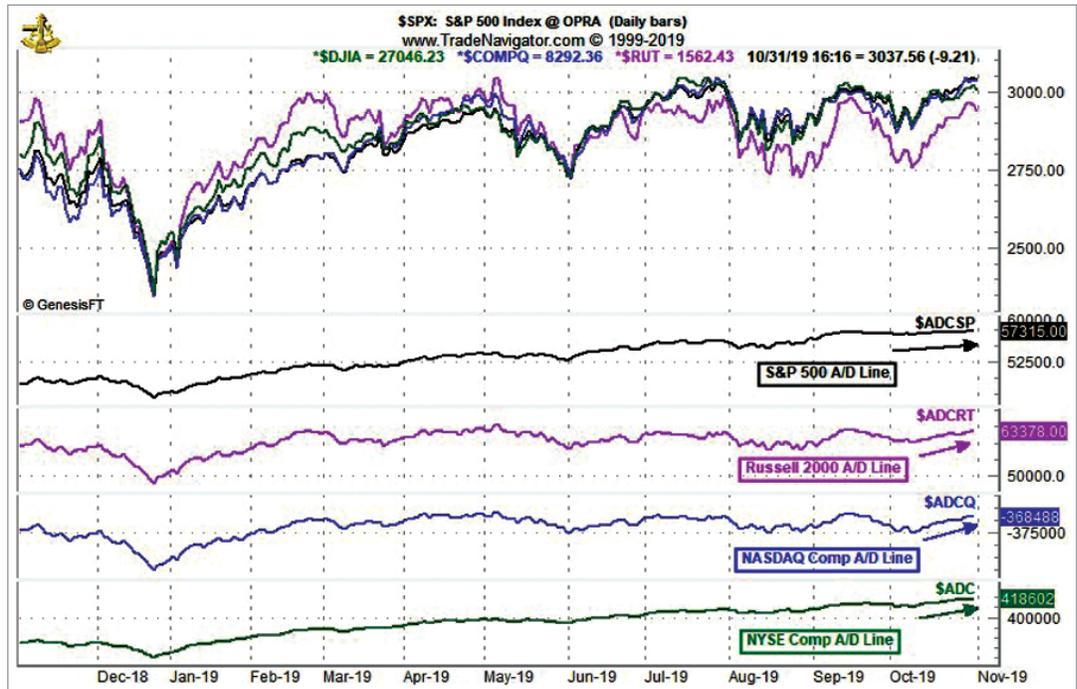
## November Outlook: Best Six Months Underway

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of DJIA. S&P's A/D Line leaves a little to be desired as it is not rising as steeply as the others.

So we have the Fed Put firmly underneath the market now after their relatively successful mid-cycle adjustment, seasonals and the 4-year election cycle at our backs, better than expected fundamentals, positive technicals and rising sentiment. The news on the impeachment proceedings and logistical snafus with phase one of the China trade deal are hanging over the market right now.

Expect the market to mark time as it often does in November of the Pre-Election as it digests the latest geopolitical machinations, before it makes a move at more new highs toward yearend.



**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.* November is the first month of the “Best Months.” November is also the first month of the best three consecutive month span, November through January. Since 1950, November is the best month of the year for S&P 500 and second best for DJIA and NASDAQ. However, November has been weaker in pre-election years.

**Fundamental:** *Soft.* Q3 U.S. GDP came in at 1.9% which was better than expected. This confirms that the pace of growth has slowed, and it confirms that the economy is still growing. Broadly, corporate earnings for Q3 have been better than forecast even though they could still show a year-over-year decline once earnings season ends. Employment remains firm with continued gains, but the pace of gains has slowed.

**Technical:** *New Highs.* S&P 500 logged two new all-time closing highs this week. DJIA and NASDAQ are lagging. Positive cumulative advance/decline lines and a series of higher

lows support the case for a possible breakout in the near future.

**Monetary:** *1.50-1.75%.* The Fed cut rates by 0.25% at its October meeting and signaled that this may be the last cut unless there is a material change in their outlook. As a result, the odds of a December cut have fallen over the past week. The Fed does appear ready, willing and able to respond should conditions weaken further.

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near future.”**

**Psychological:**

*Optimistic.*

According to [Investor's Intelligence](#) Advisors Sentiment survey, bulls are at 54.2%. Correction advisors are now at 28.0% and Bearish advisors are just 17.8%. Overall sentiment has improved for three weeks in a row after a brief retreat in response to market weakness in late September. With the holiday season rapidly approaching, it is not uncommon for sentiment to continue to rise and remain elevated as expectations for a yearend rally and a New Year build. If sentiment begins to retreat, it would be worrisome.

### More Information

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8083-NLD-11/04/2019