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April Almanac: Can Top Month Curtail Market Rout?

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The first trading day of April and the second quarter, has enjoyed notable strength over the past 25 years, advancing 18 times with an average gain of 0.40% in all 25 years for S&P 500. However, four of the seven declines have occurred in the last seven years. Other declines were in 2001, 2002 and 2005. DJIA's record on April's first trading day matches the S&P 500, 18 advances in 25 years. NASDAQ recent performance is slightly weaker than DJIA and S&P 500, but the day is still bullish for technology stocks in general with more advances than declines during the same period.

April marks the end of the "Best Six Months" for DJIA and the S&P 500. The window for the seasonal MACD sell signal opens on April 1st. The unprecedented speed of the current market selloff and current bear market would appear to have made this year's signal insignificant. This could be the case, but it is far too early to say if the worst of the bear market is over. Double-digit DJIA losses during the "Best Six Months" have only occurred three times (ending in April in 1970, 1974 and 2009) since 1950. In 1970 & 2009 the "Worst Six Months" were positive while in 1974 DJIA slide another 20.5%.

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 fourteen years in a row with an average gain of 2.3% to reclaim its position as the best DJIA month since 1950. April is second 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 are clearly focused on first quarter earnings and guidance during April. This year, guidance will likely be the greatest focus, as first and second quarter earnings are likely to be disappointing as a result of the corona virus pandemic.

Historically bullish election-year influences (the second-best year of the four-year presidential election cycle) have the exact opposite effect on April. Average gains since 1952 are approximately half of the average gain of all years since 1950 for

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Election Year April since 1950

	Rank[1]	Avg %	Up	Down
DJIA	4	0.9	10	7
S&P 500	6	0.6	10	7
NASDAQ*	9	–0.4	5	7

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

April Vital Stats (1950-2019)

	DJIA		S&P 500		NASDAQ	
Rank[2]	1		2		4	
# Up	48		50		32	
# Down	22		20		17	
Average %	1.9		1.5		1.4	
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	3.9		3.5		3.6	
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
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 1999-2019						
	1, 2, 6, 15-17 21, 22, 27-29		1, 2, 6, 8, 17 20, 22, 29		1-3, 8, 13 17, 22, 29	
April 2019 Bearish Days: Data 1999-2019						
	30		30		7, 14	

[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

April Almanac: Can Top Month Curtail Market Rout?

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DJIA and S&P 500. Largely due to a 15.6% loss in 2000, NASDAQ's typical strength in all Aprils since 1971 is transformed into an average loss in election years.

Good Friday (as well as Passover and Easter) lands a week before April's option expiration week this year. Historically the longer-term track record of Good Friday (page 100 of *STA 2020*) is bullish with notable average gains by DJIA, S&P 500 and NASDAQ on the trading day before. NASDAQ has advanced 18 of the last 19 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: Beware the Bear Market Bounce

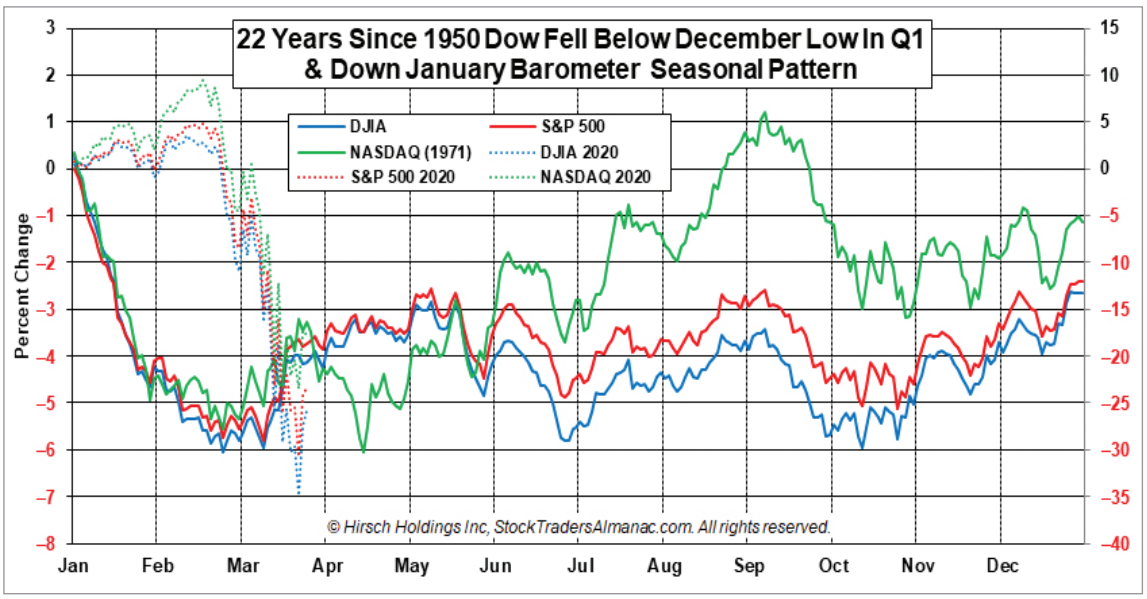
The Dow's 6.4% rally on March 26 capped the biggest three-day surge since October 6-8, 1931. That may sound encouraging, but remember 1931 was the worst year for DJIA on record, down 52.7%. DJIA jumped 21.3% from the low on Monday March 23. This surge came on the heels of the fastest and most furious decline in stock market history. DJIA dropped 37.1% from its 2/12/2020 all-time high in 40 calendar days. It fell 35.9% in 31 days from the top of the waterfall decline on 2/21/2020 and 31.4% in 19 days from the 6.6% three-day rally March 2-4, 2020.

While we are all rooting for the market to find support here so much damage has been done. A great deal of uncertainty remains for the economy and health crisis. This looks like a bear market bounce.

Federal Reserve and Federal Government action has been more encouraging. The Fed has made it clear that it will supply unlimited liquidity to the financial system. Congress and the President have now put into law this $2 trillion emergency stimulus package, more is likely. There are also some encouraging therapeutic solutions, but nothing of substance yet. And the lockdown of much of the country has yet to stem the spread of COVID-19 in the U.S.

History suggests that we are in for some tough sledding in the market this year with quite a bit of chop. When the January Barometer came in with a negative reading our outlook for 2020 began to diminish as every down January since 1950 has been followed by a new or continuing bear market, a 10% correction or a flat year. Then another warning sign flashed when DJIA closed below its December closing low on February 26, 2020 as the impact of this novel corona virus began to take its toll on Wall Street.

In the March Outlook we presented this graph of the composite seasonal pattern for the 22 years since 1950 when both the January Barometer as measured by the S&P 500 were down and the Dow closed below its previous December closing low in the first quarter. Below we have added DJIA, S&P 500 and NASDAQ Composite for 2020 year-to-date as of the close on March 25. Comparing 2020 market action to these 22 years, suggests a choppy year ahead with the potential for several tests of the recent low.



The depth of this waterfall decline may be too deep for the market to rebound quickly. This bear market also put this year's Best Six Months (November-April) at risk of being negative. The record of down Best Six Months is not encouraging and it reminds us of a salient quote out of the *Almanac* quote database from an old market sage, *"If the market does not rally, as it should during bullish seasonal periods, it is a sign that other forces are stronger and that when the seasonal period ends those forces will really have their say."* — Edson Gould (Stock market analyst, *Findings & Forecasts*, 1902-1987)

The table below of Down Best Six Months for DJIA since 1950 also suggests caution and patience is in order. Subsequent Worst Six Months (May-October) have averaged losses with only two decent years: 1982 and 2009. The market bottom in August 1982 marked the end of the 1966-1982 secular bear market and came after the

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April Outlook:
Beware the Bear Market Bounce

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early 1980s double dip recession. Following the first back-to-back down Best Six Months since 1973-1974, the market hit a secular bear market low in March 2009. Market action in the rest of these years was rather grim.

This is a generational crisis that will forever change our lives. But the market and our strategy have been through these trials and tribulations before. Market conditions are expected to improve in the near future. Continue to stick to the system and remain rational.

Down DJIA Best Six Months

Year BSM Ended	Previous Worst 6 Mos	Down Best 6 Mos	Following Worst 6 Mos	Bear Market Low	Days to Bear Market Low	BSM End To Bear Low
1952*	1.2%	– 1.8%	4.5%	9/14/1953	502	– 0.8%
1960	3.7%	– 6.9%	– 3.5%	10/25/1960	178	– 5.9%
1962	3.7%	– 5.5%	– 11.4%	6/26/1962	57	– 19.5%
1966	4.2%	– 2.8%	– 13.6%	10/7/1966	160	– 20.3%
1969	4.4%	– 0.2%	– 9.9%	5/26/1970	391	– 33.6%
1970	– 9.9%	– 14.0%	2.7%	*5/26/1970*	26	– 14.3%
1973	0.1%	– 3.6%	3.8%	12/6/1974	585	– 37.3%
1974	3.8%	– 12.5%	– 20.5%	*12/6/1974*	220	– 31.0%
1977	– 3.2%	– 3.9%	– 11.7%	2/28/1978	304	– 19.9%
1982	– 14.6%	– 0.5%	16.9%	8/12/1982	104	– 8.4%
1984	– 0.1%	– 4.4%	3.1%	7/24/1984	85	– 7.2%
2001	2.2%	– 2.2%	– 15.5%	9/21/2001	144	– 23.3%
2008	6.6%	– 8.0%	– 27.3%	3/9/2009	313	– 48.9%
2009	– 27.3%	– 12.4%	18.9%	3/9/2009	*DJIA Rallied 24.8% 3/9-4/30/2009*	
*2020***	*1.7%*	*– 16.6%*	—	*3/23/2020*	—	—
		Average:	**– 4.5%**		**219**	**– 20.8%**
		Median:	**– 6.7%**		**169**	**– 19.9%**
		# Up:	**6**			**1**
		#Down:	**8**			**13**

* DJIA rallied 14% 4/30/1952 to 1/5/1953 top ** At press time, DJIA rallied 21.3% 3/23/2020 to 3/26/2020

Historic Daily Moves, Historic Market Times

DJIA's 11.4% gain on Tuesday March 24 was of historic proportions — the best gain since 1933. Ironically, that record DJIA gain of 15.3% was achieved in the month of March and on the Ides of March, 3/15/1933 to be precise. Take a look at page 164 of the *Stock Trader's Almanac 2020* and you will a see a few other gains of similar magnitude from other historic market times: 1929, 1931, 1932, 1987 and 2008. This sort of behavior is not characteristic of a healthy environment for stocks.

Moves of this magnitude in either direction have become a rather regular occurrence these past few weeks. One could argue that market volatility has been on the rise since the repeal of the Glass-Steagall Act of 1932 which separated commercial banking from investment banking. Electronic trading has accelerated the increase and frequency of large daily swings.

We have never before experienced the frequency and magnitude of the daily market moves we've had since the last week of February 2020. Over the past 24 trading days starting on February 24 DJIA has logged 7 gains of 3% or more, 11 losses of -3% or more, 7 gains of 4% or more, 7 losses of -4% or more, 5 gains of 5% or more, and 5 losses of -5% or more. This has never occurred before.

In order to put the current market into some historical perspective we compiled the accompanying table of previous times DJIA has logged 5 days with gains of 3% more and 5 days with losses of -3% or more over 20 trading days. It's not a long list: November-December 2008, September 1932, October 1931 and November-December 1929. Not the best company to keep.

Dow Jones Industrials Historic Daily Moves

Over 20 Trading Days With 5 Days >3% & 5 Days <–3%

20-Day End	Close	Bull High		% Down	Days from High	Bear Low		Bear Loss	Days to Low
3/26/2020	22,552.17	2/12/2020	29,551.42	-23.7%	43	3/23/2020	18,591.93	-37.1%	** After Low
3/25/2020	21,200.55	2/12/2020	29,551.42	-28.3%	42	3/23/2020	18,591.93	-37.1%	** After Low
3/24/2020	20,704.91	2/12/2020	29,551.42	-29.9%	41	3/23/2020	18,591.93	-37.1%	** After Low
3/23/2020	18,591.93	2/12/2020	29,551.42	-37.1%	40	3/23/2020	18,591.93	-37.1%	* At Presstime
3/20/2020	19,173.98	2/12/2020	29,551.42	-35.1%	37	3/23/2020	18,591.93	-37.1%	3
3/18/2020	19,898.92	2/12/2020	29,551.42	-32.7%	35	3/23/2020	18,591.93	-37.1%	5
3/17/2020	21,237.38	2/12/2020	29,551.42	-28.1%	34	3/23/2020	18,591.93	-37.1%	6
12/8/2008	8,934.18	10/9/2007	14,164.53	-36.9%	426	3/9/2009	6,547.05	-53.8%	91
12/5/2008	8,635.42	10/9/2007	14,164.53	-39.0%	423	3/9/2009	6,547.05	-53.8%	94
11/24/2008	8,443.39	10/9/2007	14,164.53	-40.4%	412	3/9/2009	6,547.05	-53.8%	105
11/6/2008	8,695.79	10/9/2007	14,164.53	-38.6%	394	3/9/2009	6,547.05	-53.8%	123
11/5/2008	9,139.27	10/9/2007	14,164.53	-35.5%	393	3/9/2009	6,547.05	-53.8%	124
9/26/1932	71.06	9/7/1932	79.93	-11.1%	19	2/27/1933	50.16	-37.2%	154
9/22/1932	72.71	9/7/1932	79.93	-9.0%	15	2/27/1933	50.16	-37.2%	158
10/28/1931	100.52	4/17/1930	294.07	-65.8%	559	7/8/1932	41.22	-86.0%	254
10/26/1931	106.37	4/17/1930	294.07	-63.8%	557	7/8/1932	41.22	-86.0%	256
10/23/1931	108.88	4/17/1930	294.07	-63.0%	554	7/8/1932	41.22	-86.0%	259
12/3/1929	249.61	9/3/1929	381.17	-34.5%	91	11/13/1929	198.69	-47.9%	** After Low
11/26/1929	235.35	9/3/1929	381.17	-38.3%	84	11/13/1929	198.69	-47.9%	** After Low
11/21/1929	248.49	9/3/1929	381.17	-34.8%	79	11/13/1929	198.69	-47.9%	** After Low
11/20/1929	241.23	9/3/1929	381.17	-36.7%	78	11/13/1929	198.69	-47.9%	** After Low

** At Presstime DJIA Bear Market Low set on March 23, 2020*

So while the snapback rally is welcome and encouraging, volatility remains high and daily moves of this frequency and magnitude in both directions have occurred during major market declines. Record gains like March 24 are not necessarily an indication that we have seen the low. It is constructive, but not a foregone conclusion. Stay safe and be well out there.

Market at a Glance

Seasonal: *Bullish.* April is DJIA's best performing month since 1950, second best for S&P and fourth best for NASDAQ (since 1971). However, April also marks the end of our "Best Six Months" for DJIA and the S&P 500. Our Seasonal MACD Sell signal can occur as early as April 1 but could easily be delayed should the market continue to recover through April and beyond.

Fundamental: *Uncertain.* That may be just be the best and perhaps most honest assessment that could be given at this time. Weekly initial jobless claims exploded to nearly 3.3 million and likely would have been even higher if states did not run into processing capacity limitations. Millions of businesses are shut or operating well below desired levels. The virus is still spreading rapidly around the globe. If containment or some semblance of control can be achieved quickly, then, maybe the recovery could also come quickly.

Technical: *Bear bounce?* Historically key levels such as 50- and 200-day moving averages were quickly violated and even the 20% decline threshold that is typically associated with a bear market has been exceeded. Technical indicators quickly reached oversold levels and when selling dried up earlier this week a bounce has ensued. Historically, lows are typically tested and the current lows have not yet been.

"Bear bounce? Technical indicators quickly reached oversold levels and when selling dried up earlier this week a bounce has ensued. Historically, lows are typically tested and the current lows have not yet been."

Monetary: *0 – 0.25%.* March's scheduled Fed meeting was no longer needed as they sprung to action well before. The result is the return of ZIRP (zero interest rate policy). Rates have been cut to effectively zero and open-ended purchases of Treasuries and mortgage-backed securities are underway. The Fed has also restarted many of the programs it first used in the financial crisis and appears to be looking to create some new ones as well. The Fed appears to be "all in" but they insist there is still more that could be done, if needed. Hopefully, more will not be needed.

Psychological: *Bearish.* According to *Investor's Intelligence* Advisors Sentiment survey Bullish advisors are at 30.1%. Correction advisors are at 28.2% and Bearish advisors are 41.7%. This is the highest number of bears since October 2011. Historically, bears outnumbering bulls has coincided with better opportunities to accumulate long positions. However, the exact timing has not been perfect.

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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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