

SEASONAL STRATEGIST

MONTHLY STOCK MARKET UPDATES



PROBABILITIES
FUND MANAGEMENT, LLC

Volume 6, Issue 11

Published by Probabilities Fund Management, LLC

November 2020

November 2020 Almanac: Top S&P 500 and DJIA Month in Election Years

By Jeffrey A. Hirsch
Chief Market Strategist

November is still maintaining 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), NASDAQ (since 1971) and Russell 2000 (since 1979) month. November is best for S&P 500 (since 1950).

November's is a mixed bag in presidential election years. DJIA has advanced in 10 of the last 17 election years since 1952 with an average gain of 1.7%. Significant DJIA declines occurred in 2008 (-5.3%) and 2000 (-5.1%). For S&P 500 November ranks best with a similar record to DJIA. NASDAQ and Russell 2000 are not as strong ranking #7 and #6 respectively. Fewer years of data (12 for NASDAQ and 10 for Russell indices) combined with sizable losses in 2000 and 2008 drag down rankings and average gains when compared to DJIA and S&P 500.

Options expiration often coincides with the week before Thanksgiving as it does this year. DJIA posted ten straight gains 1993-2002 and has been up 20 of the last 27 weeks before

Thanksgiving. The Monday of expiration week has been streaky, but the net result since 1994 is 16 DJIA gains in 26 years with 11 advances occurring in the last 16 years. Options expiration day has a clearly bullish bias, up 14 of the

(continued on page 2)

Election Year November since 1950				
	Rank ¹	Avg %	Up	Down
DJIA	1	1.7	10	7
S&P 500	1	1.5	10	7
NASDAQ*	7	-0.3	8	4

¹ Based upon the average historical monthly performance of the indices in comparison to other months of the year.
* Since 1971 © StockTradersAlmanac.com. All rights reserved.

November Vital Stats (1950-2019)				
	DJIA	S&P 500	NASDAQ	
Rank ²	2	1	2	
# Up	48	48	34	
# Down	22	22	15	
Average %	1.6	1.6	1.7	
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	0.5	0.5	1.2	
Election	1.7	1.5	-0.30	
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	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 2020 Bullish Days: Data 1999-2019				
	4, 5, 6, 12, 16	3, 5, 24, 27	2-6, 11, 12, 20	
	23, 24, 25, 27		23, 24, 27	
November 2020 Bearish Days: Data 1999-2019				
	11, 18	10, 30	10	

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	
November Almanac: Top S&P 500 and DJIA Month in Election Years	1
November Outlook: Best Months Begin With November	2
Market Performance Election Day to Year End	3
Market at a Glance	4

November 2020 Almanac: Top S&P 500 and DJIA Month in Election Years

(continued from page 1)

last 18. The week after expiration has been a mixed bag recently. DJIA has been up five of the last eight after being down five of six from 2006 to 2011.

Being a bullish month November has four bullish days, though it does have weak points. NASDAQ and Russell 2000 exhibit the greatest strength at the beginning and end of November. Historically, Russell 2000 is notably bearish on

the 12th trading day of the month; the small-cap benchmark has risen just eight times in the last 36 years (since 1984). The Russell 2000's average decline is 0.39% on the day. Recent weakness around Thanksgiving has shifted DJIA and S&P 500 strength to mirror that of NASDAQ and Russell 2000 with the majority of bullish days at the beginning and end of the month. We believe 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.

November Outlook: Best Months Begin With November

November has historically begun the Best Six Months for the Dow and S&P 500 and NASDAQ's Best Eight Months. It has also marked the start of the year's Best Three-Month Span November-January. Seasonal October volatility was exacerbated by Presidential election uncertainty and the rapid rise of covid-19 cases worldwide. But we believe this is setting up very well for our Seasonal MACD Buy Signal.

Seasonality's Quarantine Is Over

October's market weakness and volatility is actually an encouraging sign for us. While it may be painful to some investors and unnerving at times, to us it signifies a return to more normal seasonal market behavior, which has set up the Best Months for solid gains in the past. Updating the chart we presented last month of S&P 500 for 2020 (right axis) overlaid on the One-Year Seasonal Pattern since 1950 and 1988 (left axis) underscores the return of market seasonality.

September and October weakness this year closely mirrors the historical pattern over the past 70-year and 32-year timeframes. S&P also appears to have made a classic late-October low. This October low did not breach the September low so far and if the low on October 30 holds it forms a slightly higher-low uptrend line of support.

As for handicapping the election, our colleague Sam Stovall's August-October Market "Presidential Predictor" closed in the red. When the S&P is lower from July 31 to October 31 in election years it is not a great sign for an incumbent presidential party win.

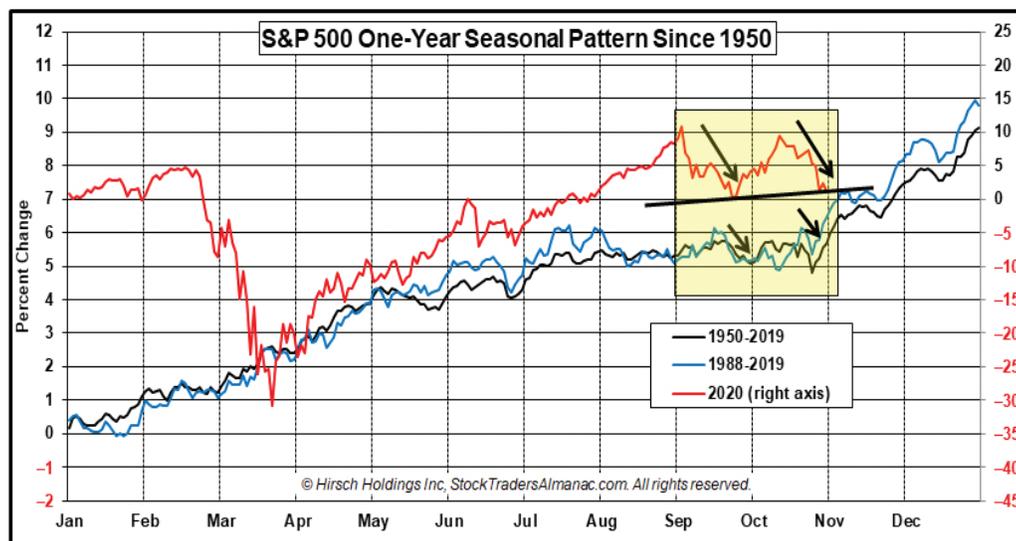
However, as long as we have an expeditious decision on the winner, the market has generally

rallied November-December no matter the winner. When incumbent parties win S&P 500 is up only 0.07% on average in November and 1.7% in December. When they lose S&P 500 is up 1.5% in November and 1.1% in December.

Since 1936 when the S&P 500 is up from the July 31 close to the October 31 close in election years the incumbent party wins 85% of the time (11 of 13). When the S&P is down over this three-month span the party in control of the White House has changed 88% of the time (7 of 8).

Two misses were likely due to significant third-party candidates derailing reelections in 1968 (Wallace) and 1980 (Anderson). Eisenhower was reelected in 1956 despite the bear market caused by the Suez Crisis/Sinai War in October-November 1956 and Soviet tanks rolling into Hungary to quell the revolution in October 1956.

Keep your eye open for our MACD Buy Signal and be leery of election decision delays, congressional inability to pass another stimulus package and a continued rise in covid-19 cases, hospitalizations and deaths that could increase restrictions and weigh on the market.



Market Performance Election Day to Year End

In this particularly heated election season party bosses and constituents have closed ranks and dug in their heels — as have the candidates. In the meantime Wall Street soldiers on. From the March pandemic lows stocks were on a tear until seasonal forces returned to the fray and instigated a correction in historically weak September/October.

Then the turn of the month from the end of September through the first eight days of October exhibited its usual strength. As the battle for the White House is coming down to the wire a combination of typical mid-October weakness collided with an uptick in jobless claims, faltering stimulus talks and fears of a second wave of the COVID pandemic as cases and hospitalizations are on the rise worldwide.

We are all looking for an expeditious decision on the U.S. Presidential Election. The fear of a prolonged election decision process like we had in the 2000 election is at the forefront of everyone's mind. In an effort to alleviate investor anxiety we have laid out here the history of market performance from Election Day to year end for the Dow, S&P 500, NASDAQ and the Russell 2000 small cap index. We've broken it out into two tables. One compares index returns for Incumbent Presidential Party Wins vs. Losses and the other for Republican vs. Democratic Presidential wins.

DJIA and S&P have a longer history and show greater weakness after the election when incumbent party wins with DJIA up 55.6% of the time for on average gain of 1.0%. S&P is notable weaker, up only 44.4% of the time with an average gain of 0.2%, and a median loss of

-0.2%, A post-WWII consolidation bear market that started in June 1948 is mostly responsible.

Election years with incumbent party losses have produced better returns for Dow and S&P, but the impact of the undecided election in 2000 and The Great Recession and Financial Crisis in 2008 hit all indices hard with NASDAQ suffering the most. NASDAQ tech stocks and Russell 2000 small cap stocks have historically exhibited much more strength in November and December often outperforming DJIA and S&P large cap blue chip stocks. This is clearly evident in all tables.

Looking at the breakdown along party lines the numbers are rather close with 1948 and 2008 causing the most damage to Democratic wins and 2000 taking the wind out of Republican victories. The overall year end strength of NASDAQ tech stocks and the Russell 2000 small caps seems to be the prevailing trend.

Market % Change Election Day to Yearend since 1948*				
Year	DJIA	S&P 500	NASDAQ	Russell 2000
Incumbent Party Wins				
1948	-6.6	-9.0	—	—
1956	0.8	-2.0	—	—
1964	-0.2	-0.5	—	—
1972	3.6	3.6	0.1	—
1984	-2.6	-1.9	-1.3	-2.9
1988	1.9	0.9	0.7	1.4
1996	6.0	3.7	5.0	6.7
2004	7.4	7.2	9.6	11.3
2012	-1.1	-0.2	0.3	2.9
Average:	1.0	0.2	2.4	3.9
Median:	0.8	-0.2	0.5	2.9
% Up:	55.6	44.4	83.3	80.0
Incumbent Party Losses				
1952	8.0	8.0	—	—
1960	3.1	5.4	—	—
1968	-0.3	0.7	—	—
1976	4.0	4.2	8.3	—
1980	2.9	5.2	4.8	2.4
1992	1.5	3.8	12.0	10.7
2000	-1.5	-7.8	-27.7	-4.4
2008	-8.8	-10.2	-11.4	-8.5
2016	7.8	4.6	3.7	13.6
Average:	1.8	1.6	-1.7	2.7
Median:	2.9	4.2	4.2	2.4
% Up:	66.7	77.8	66.7	60.0
All Election Years				
Average:	1.4	0.9	0.3	3.3
Median:	1.7	2.3	2.2	2.6
% Up:	61.1	61.1	75.0	70.0

*Market closed Prez Election Day prior to 1984. Previous day's close used.
© Hirsch Holdings Inc., StockTradersAlmanac.com. All rights reserved.

Market % Change Election Day to Yearend since 1948*				
Year	DJIA	S&P 500	NASDAQ	Russell 2000
Republican Party Wins				
1952	8.0	8.0	—	—
1956	0.8	-2.0	—	—
1968	-0.3	0.7	—	—
1972	3.6	3.6	0.1	—
1980	2.9	5.2	4.8	2.4
1984	-2.6	-1.9	-1.3	-2.9
1988	1.9	0.9	0.7	1.4
2000	-1.5	-7.8	-27.7	-4.4
2004	7.4	7.2	9.6	11.3
2016	7.8	4.6	3.7	13.6
Average:	2.8	1.9	-1.4	3.6
Median:	2.4	2.3	0.7	1.9
% Up:	70.0	70.0	71.4	66.7
Democratic Party Wins				
1948	-6.6	-9.0	—	—
1960	3.1	5.4	—	—
1964	-0.2	-0.5	—	—
1976	4.0	4.2	8.3	—
1992	1.5	3.8	12.0	10.7
1996	6.0	3.7	5.0	6.7
2008	-8.8	-10.2	-11.4	-8.5
2012	-1.1	-0.2	0.3	2.9
Average:	-0.3	-0.3	2.8	2.9
Median:	0.7	1.8	5.0	4.8
% Up:	50.0	50.0	80.0	75.0
All Election Years				
Average:	1.4	0.9	0.3	3.3
Median:	1.7	2.3	2.2	2.6
% Up:	61.1	61.1	75.0	70.0

*Market closed Prez Election Day prior to 1984. Previous day's close used.
© Hirsch Holdings Inc., StockTradersAlmanac.com. All rights reserved.

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.

Moving Average Convergence Divergence (MACD): A trend-following momentum indicator that shows the relationship between two moving averages of prices.

Market at a Glance

Seasonal: *Bullish.* November is the #1 month for S&P 500. It's also the first month of the "Best Six/Eight Months." Since 1950, November is #1 DJIA and S&P 500 month in election years. Recent exceptions include November 2000 (undecided election) and 2008 (financial crisis). Keep an eye out for our Official MACD Seasonal Buy Signal. It can trigger anytime now.

Fundamental: *Mixed.* Q3 growth did rebound at a better than expected pace, up 33.1% (advance estimate). Existing home sales were running at a 14-year high in August, but abruptly dipped in September as record high prices weigh. Weekly initial jobless claims are trending lower but remain stubbornly elevated. Corporate earnings have been mostly fair against a rather low bar while estimates continue to climb. Covid-19 cases are climbing at or near record levels depending on location threatening to undo recent easing of restrictions.

Technical: *Pullback.* DJIA, S&P 500 and NASDAQ have all retreated back below their respective 50-day moving averages. Thus far, respective 200-day moving averages have held, but could be tested this time

around. DJIA has closed below September's closing low; S&P 500 and NASDAQ have not. As long as September's closing lows are not violated by all three indexes, this pullback could be nearing its end.

Monetary: *0 – 0.25%.* The Fed's next meeting begins the day after the election, on November 4. No changes to existing policy are expected and it will likely take a backseat to election results. The Fed is still "all in" and it is best not to forget, "don't fight the Fed." ZIRP following the financial crisis may not have solved every issue, but it sure did boost the stock market. It wasn't a straight line higher; there were pullbacks and corrections throughout. It seems reasonable to expect a similar outcome this time around.

Psychological: *Frothy Again.* According to [Investor's Intelligence](#) Advisors Sentiment survey Bullish advisors climbed to 60.6%. Correction advisors stood at 19.2% while Bearish advisors were at 20.2%. These readings came before the late-October market retreat. There may be a modest retreat in Bullish Advisors next reading, but it is not likely to be sizable as the election is nearly here and sentiment generally runs high from around now to yearend.

“200-day moving averages have held, but could be tested this time around. DJIA has closed below September's closing low; S&P 500 and NASDAQ have not. As long as September's closing lows are not violated by all three indexes, this pullback could be nearing its end.”

People

Management Team

Jeffrey Rancourt,
President

Jeffrey A. Hirsch,
Chief Market Strategist
Editor, *Stock Trader's Almanac*

Joseph B. Childrey,
Founder & CIO

Mary C. Gray,
Chief Marketing Director

Christopher Mistal,
Chief Compliance Officer
Director of Research

Independent Research Consultants

Allen Shepard, PhD,
Research Consultant

Robert B. Ausdal, Jr., CFA,
Research Consultant

Sidney C. Hardee, CFA,
Research Consultant

Contact

Probabilities Fund Management, LLC

A registered investment advisor.

200 Mamaroneck Ave, Suite 300
White Plains, NY 10601

Office: 800-519-0438

Email: info@probabilitiesfund.com

Website: www.probabilitiesfund.com

More Information

For more information about our strategies, products and services, including updated fact sheets, performance summary reports and prospectuses, visit our website: <http://www.probabilitiesfund.com> or call Advisor Services today at **(800) 519-0438**.

The material provided herein has been provided by Probabilities Fund Management, LLC and is for informational purposes only. Probabilities Fund Management, LLC is the adviser to one or more mutual funds distributed through Northern Lights Distributors, LLC member FINRA/SIPC. Northern Lights Distributors, LLC and Probabilities Fund Management, LLC are not affiliated entities. 6211-NLD-11/05/2020