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June Almanac: Second Worst DJIA Month in Post-Election Years

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June has shone brighter on NASDAQ stocks over the last 50 years as a rule ranking sixth with a 0.9% average gain, up 28 of 50 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 0.2%. S&P 500 performs similarly poorly, ranking ninth, but essentially flat (0.1% average gain). Small caps also tend to fare well in June. Russell 2000 has averaged 0.8% in the month since 1979.

In post-election years since 1953, June still ranks poorly and its average loss for DJIA increases to -1.1% while S&P 500's modestly positive performance becomes a 0.6% loss. DJIA struggles the most, advancing in just four post-election year Junes (1977, 1985, 1997 and 2017). Russell 2000 fares best, up seven times in ten years with an average gain of 1.2%. NASDAQ lands in the middle, advancing 50% of the time with an average gain of 0.4%.

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-four years. Triple-Witching Friday is somewhat better, up ten of the last eighteen years, but down five of the last six. 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 DJIA losses in 27 of the last 31 years with

average losses of 1.1%. NASDAQ and Russell 2000 had fared better during the week after, but that trend appears to be fading.

(continued on page 2)

Post-Election Year June since 1950

	Rank ¹	Avg %	Up	Down
DJIA	11	-1.1	7	10
S&P 500	10	-0.6	6	11
NASDAQ*	8	0.4	6	6

¹ Based upon the average historical monthly performance of the indices in comparison to other months of the year.
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June Vital Stats (1950-2020)

	DJIA	S&P 500	NASDAQ
Rank ²	11	9	6
# Up	34	39	28
# Down	37	32	22
Average %	-0.2	0.1	0.9

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	1.1	1.5	2.4
Election	0.9	1.3	1.9

Best & Worst June by %

Best	2019 7.2	1955 8.2	2000 16.6
Worst	2008 -10.2	2008 -8.6	2002 -9.4

June Weeks by %

Best	6/5/2020 6.8	6/2/2000 7.2	6/2/2000 19
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	6/11/2020 -6.9	6/11/2020 -5.9	6/11/2020 -5.3

June 2021 Bullish Days: Data 2000-2020

	1, 2, 7, 8, 16	1, 2, 8, 15	1, 2, 15, 17, 21 28-30
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June 2021 Bearish Days: Data 2000-2020

	9, 10, 21, 22 24, 25	9, 10, 24	9, 10, 23, 24
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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:	
Second Worst DJIA Month in Post-Election Years	1
June Outlook:	
NASDAQ Best 8 Months Ends – Sideways Summer Trading	2
End Best 8 Months	3
Market at a Glance	4

June Almanac: Second Worst DJIA Month in Post-Election Years

(continued from page 1)

June's first trading day is the Dow's best day of the month, up 26 of the last 33 years. Gains are sparse throughout the remainder of the month until the last three days when NASDAQ and Russell 2000 stocks begin to exhibit strength.

June Outlook: NASDAQ Best 8 Months Ends – Sideways Summer Trading

Stocks have gone virtually nowhere since our April 22 Best Six Months MACD Seasonal Sell Signal. Trading volume has already begun to slowdown as it tends to do from Memorial Day to Labor Day in what we refer to as the summer doldrums. This reduction in trading volume (page 48, STA 2021) both contributes to and is emblematic of seasonal market weakness during the Worst Six Months May-October (page 147, STA 2021) and the Worst Four Months July-October (page 148, STA 2021).

The market continues to follow seasonality albeit with a greater magnitude of gains this year and for the Best Six Months November-April than the average year. As you can see in the chart here of the S&P 500 comparing 2021 to the historical seasonal pattern we have also begun to track the typical sideways action the market experiences over the Worst Months of the year.

Several factors at play, especially during this unique post-

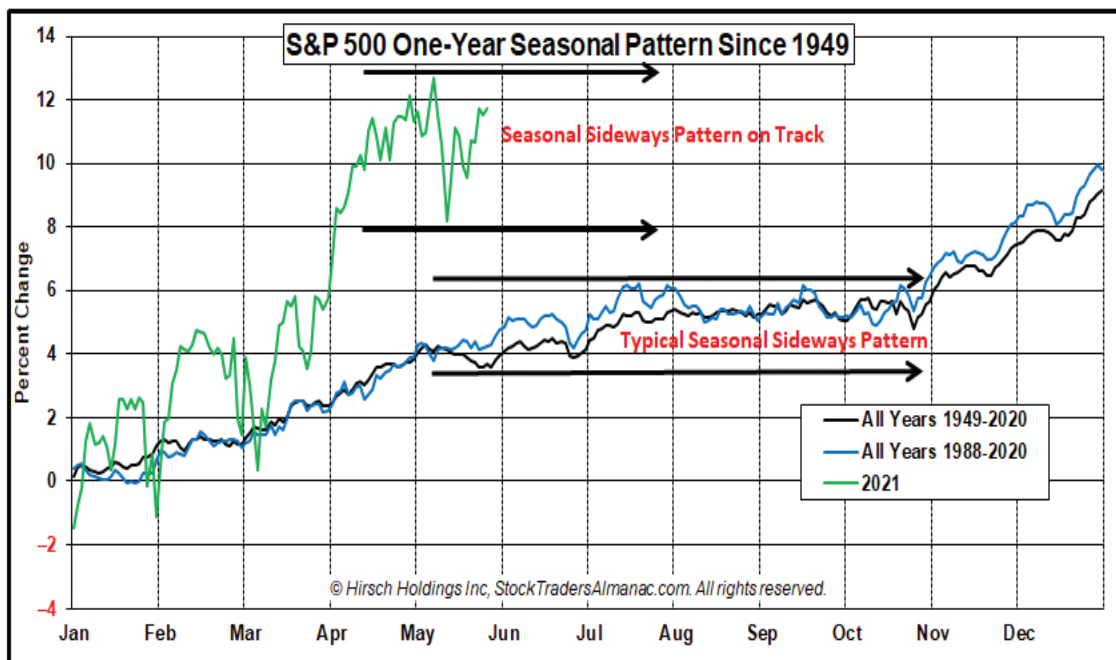
The last day of the second quarter is a bit of a paradox as the Dow has been down 17 of the last 30 (however, up 8 of the last 10) while NASDAQ and Russell 2000 have nearly the opposite record. NASDAQ has been up 21 of the last 29.

COVID-19-pandemic, economic-reopening year, continue to support our near-term sideways market outlook on the backdrop of our overall bullish outlook for the year as a whole in keeping with the base and best case scenarios of our [2021 Annual Forecast](#). We still expect to see the S&P 500 finish the year above current levels in the 4300-4500 range, more in line with our best case scenario. In the near term, however, the market is primed to remain range-bound and bounce around between the April/May highs and the March lows.

The Fed's still prudent accommodative stance will ensure the economic recovery is not undermined by a hasty response to transitory inflation pressures. This also helps keep a floor under the market — The Powell Put if you will. Fiscal spending from existing COVID-19 stimulus packages, a likely infrastructure spending package soon, as well as [fiscal stimulus from G20 nations](#) will also support the market. Further fundamental support comes from

increased consumer spending, a healthy employment market and robust numbers from corporate America.

On the lid side of the equation folks are coming out of their pandemic shells in droves. This is great news for the travel industry, but it means that the usual summer exodus from The Street could potentially be more dramatic as people turn away from the market



(continued on page 3)

June Outlook: NASDAQ Best 8 Months Ends – Sideways Summer Trading

(continued from page 2)

and turn towards visiting family they have not seen in over a year, vacations and all sorts of leisure activities.

Inflation fears, the slowing pace of vaccinations, troubling global COVID hotspots, technical resistance and rich valuations are also likely to keep market gains at bay over this seasonal weak period through Q3. Market rotation from the tech-oriented stay-at-home stocks into reopening stocks is also conspiring to hold back broad market gains until the summer travel seasons winds down.

End Best 8 Months

June 1 is the earliest the *Stock Trader's Almanac's* NASDAQ Seasonal Sell can trigger as NASDAQ's Best Eight Months ends with June. When the signal triggers it is a good time to consider a more cautious stance. Historically, the Worst Four Months, July through October, have produced marginal average market gains with greater volatility. Tactical strategies that limit new buying, selectively reduce equity exposure, and hold cash and/or cash equivalent positions during the Worst Months may be better prepared to weather any market weakness that may manifest compared to more aggressive approaches.

“Tactical strategies that limit new buying, selectively reduce equity exposure, and hold cash and/or cash equivalent positions during the Worst Months may be better prepared.”

June is a tough month for DJIA and S&P 500, but not so bad for NASDAQ and Russell 2000. This year June starts right after Memorial Day, which is not the most bullish post-holiday trade so, the usual strength on the first two trading days of June may be muted as folks get back into the swing of things after the long weekend.

Christmas in July: NASDAQ's Mid-Year Rally

In the mid-1980s the market began to evolve into a tech-driven market and the market's focus in early summer shifted to the outlook for second quarter earnings of technology companies. Over the last three trading days of June and the first nine trading days in July, NASDAQ typically enjoys a rally. This 12-day run has been up 28 of the past 36 years with an average historical gain of 2.6%.

After the bursting of the tech bubble in 2000, NASDAQ's mid-year rally had a spotty track record from 2002 until 2009 with three appearances and five no-shows in those years. However, it has been quite solid over the last eleven years, up ten times with a single mild 0.1% loss in 2015. Last year, NASDAQ advanced a solid 4.7% during the 12-day span.

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. The Wilshire 5000 is a market-capitalization-weighted index of the market value of all US-stocks actively traded in the United States. As of December 31, 2020, the index contained only 3463 components. The index is intended to measure the performance of most publicly traded companies headquartered in the United States, with readily available price data. 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.

Santa Claus Rally: Discovered and named by Yale Hirsch in 1972 and published in the *1973 Stock Trader's Almanac*. Santa Claus tends to come to Wall Street nearly every year, bringing a short, sweet, respectable rally within the last five days of the year and the first two in January. This rally has been averaged 1.3% S&P 500 gain since 1969. Santa's failure to show tends to precede bear markets, or times stocks could be purchased later in the year at much lower prices.

Triple Witch Week: Is the week containing the third Friday in March, June, September and December when stock options, index options and index futures expire on Friday.

January Effect: Is the tendency of small-cap stocks to outperform large-cap stocks in January.

January Barometer: Devised by Yale Hirsch in 1972, and published in the *1973 Stock Trader's Almanac*, the January Barometer states that as the S&P 500 goes in January, so goes the year. This indicator has registered eleven major errors since 1950 for an 84.5% accuracy ratio.

Market at a Glance

Seasonal: *Neutral.* June is the last month of NASDAQ's "Best Eight Months" and the second month of DJIA's and S&P 500's "Worst Six Months." In post-election years, June is second worst for DJIA and third worst for S&P 500. NASDAQ and Russell 2000 have been stronger with average gains of 0.4% and 1.2% respectively.

Fundamental: *Positive.* Overall vaccinations are climbing while U.S. cases and deaths are falling. Restrictions are easing and people are slowly returning to work and pre-COVID-19 activities. Weekly initial jobless claims have declined to their lowest level since the pandemic started. U.S. GDP is on the rebound and corporate earnings and guidance were strong triggering many analysts to raise their estimates and targets. Headwinds still exist. Numerous COVID-19 hotspots exist globally, and inflation metrics are running hotter than they have been in over a decade.

Technical: *Topping?* DJIA and S&P 500 closed at new all-time highs in May. NASDAQ did not. Rotation from stay-at-home stocks to reopening stocks continues. This has hit the tech-heavy NASDAQ while lending strength to DJIA. Rotation is likely to keep a lid on overall market gains as meaningful and sizable gains typically require broad participation. Marginal new highs are possible, but sideways, range-bound

trading by the major indexes is increasingly more likely.

Monetary: *0 – 0.25%.* Once again, the Fed is catching flak for expanding its mandate and for being highly accommodative with monetary policy. It really appears to be a situation of the lesser of all evils. Tighten too early or too quickly and risk stalling the economic ascent in order to potentially stave off inflation and return to a more typical rate environment or ensure that the recovery and the overall economy are on firm ground in good health. The start/stop and start/stop and repeat approach taken after the financial crisis of 2008-09 was not highly effective as the recovery was sluggish and intermittent. Inflation is a concern. However, it would appear that the Fed could remove liquidity nearly as quickly as was added. The Fed's approach is aggressive but appears reasonable and appropriate and likely to succeed.

Psychological: *Improving.* According to [Investor's Intelligence](#) Advisors Sentiment survey Bullish advisors have slipped to 51.5%. Correction advisors have climbed to 31.7% while Bearish advisors are at 16.8%. Sentiment remains elevated but has retreated from the frothy levels reported in April. The decline in sentiment is likely part seasonal and part technical. Easing bullish sentiment is encouraging, but current levels still warrant caution.

“Marginal new highs are possible, but sideways, range-bound trading by the major indexes is increasingly more likely.”

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