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# April Almanac: DJIA Up 16 in a Row

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April marks the end of the "Best Six Months" for DJIA and the S&P 500. The window for the *Stock Trader's Almanac* seasonal MACD sell signal opens on April 1st. From the *Stock Trader's Almanac* Seasonal MACD Buy Signal on October 8, 2021, through the March 31 close, DJIA is down 0.2% while S&P 500 is up 3.2%. This is below historical average performance due largely to surging inflation, a tightening Fed and Russia's invasion of Ukraine. But before the "Worst Months" arrive, April's solid historical track record could keep the current rally intact.

April 1999 was the first month ever 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 sixteen years in a row with an average gain of 2.9% to reclaim its position as the best DJIA month since 1950. April is the best month for S&P 500 and third best for NASDAQ (since 1971).

The first trading day of April and the second quarter, has enjoyed notable strength over the past 27 years, advancing 19 times with an average gain of 0.28% in all 27 years for DJIA. However, five of the eight declines have occurred in the last nine years. The largest decline was in 2020 when DJIA declined 4.44% (973.65 points). Other declines were in 2001, 2002 and 2005. S&P 500's record on April's first trading day matches DJIA, 19 advances in 27 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.

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 (April 18 for 2022) appears to be diminished with numerous bullish days on

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**Midterm Year April since 1950**

| | Rank[1] | Avg % | Up | Down |
|---|---|---|---|---|
| DJIA | 7 | 0.7 | 12 | 6 |
| S&P 500 | 7 | 0.2 | 12 | 6 |
| NASDAQ* | 6 | –0.1 | 6 | 6 |

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

** Since 1971* 

**April Vital Stats (1950-2021)**

| | DJIA | | S&P 500 | | NASDAQ | |
|---|---|---|---|---|---|---|
| Rank[2] | 1 | | 1 | | 3 | |
| # Up | 50 | | 52 | | 34 | |
| # Down | 22 | | 20 | | 17 | |
| % Higher | 69.4 | | 72.2 | | 66.7 | |
| Average % | 2.0 | | 1.7 | | 1.8 | |
| **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 | 1.5 | | 1.3 | | 0.9 | |
| **Best & Worst April by %** | | | | | | |
| Best | 2020 | 11.1 | 2020 | 12.7 | 2020 | 15.4 |
| Worst | 1970 | –6.3 | 1970 | –9.0 | 2000 | –15.6 |
| **April Weeks by %** | | | | | | |
| Best | 4/9/2020 | 12.7 | 4/9/2020 | 12.1 | 4/12/2001 | 14 |
| Worst | 4/14/2000 | -7.3 | 4/14/2000 | -10.5 | 4/14/2000 | -25.3 |
| **April Days by %** | | | | | | |
| Best | 4/6/2020 | 7.7 | 4/6/2020 | 7.0 | 4/5/2001 | 8.9 |
| Worst | 4/14/2000 | –5.7 | 4/14/2000 | –5.8 | 4/14/2000 | –9.7 |
| **April 2022 Bullish Days[3]: Data 2000-2021** | | | | | | |
| | 1, 4, 6, 8, 14, 18, 19 22, 26-28 | | 1, 4, 6, 8, 12, 14 18, 19, 28 | | 1, 4, 8, 12, 19, 28 | |
| **April 2022 Bearish Days[4]: Data 2000-2021** | | | | | | |
| | 29 | | 7, 29 | | 7, 29 | |



[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.*

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either side of the day. Traders and investors are clearly focused on first quarter earnings and guidance during April. With conflict in eastern Europe and the Fed raising rates, companies may lean conservative with guidance during this upcoming earnings season.

Typical midterm-election year woes have tempered April's performance since 1950. April is DJIA's and S&P 500's seventh best month in midterm-election years, up 12 of the last 18. Russell 2000 ranks highest at fifth best in midterm-year Aprils. Sizable losses exceeding 4% on DJIA and S&P 500 occurred in 1962, 1970 and 2002.

Good Friday (as well as Passover and Easter) lands in the middle of April this year. Historically the longer-term track record of Good Friday (page 100 of STA 2022) is bullish with notable average gains by DJIA, S&P 500, NASDAQ, and Russell 2000 on the trading day before. NASDAQ has advanced 20 of the last 21 days before Good Friday. Monday, the day after Easter has exactly the opposite record since 1980 and is in the running for the worst day after of any holiday. Since 2004 the day after has been improving with S&P 500 up 12 of the last 18.

# April Outlook: War, Inflation & Fed Loom Over End Best Six Months

As we enter the last month of the Best Six Months, the market logged its first down quarter in two years since the beginning of the pandemic. Going back to 1930 when our S&P 500 data begins Q1 was positive 55 years and negative 37 times over the 92-year span. Overall, years that advanced in Q1 were up 46 of the 55 years or 83.6% of the time with an average gain of 13.2% for S&P 500. Years when Q1 was down, were positive only 16 of the 37 years or 43.2% of the time for an average loss of -0.1%.

What jumped out at us were the midterm years that had losing first quarters. In the table we compiled here, the events during these years have an eerie resonance to what's happening today in 2022. War, conflict, inflation, recession, and rate hikes were common themes in these midterm years. Only three of these 10 midterm years had sizable gains: 1938 (War in Europe), 1942 (WWII) and 1982 (Secular Bull). Losses carried over into Q2 in all but 3 years: 1938, 1942 and 2018. Third quarters rebounded in all but three years: 1966 (Vietnam), 1974 (Oil Embargo/Watergate) and 2002 (Iraq). The only real Q4 blemish was 2018 when the Fed hiked rates too briskly.

In general, after a down midterm Q1, losses tended to carry over into Q2 and the market began to find its footing in Q3 and rally into Q4. Protracted crises in 1962, 1966, 1970, 1974, and 2002 delivered the most negative results though all had significant bear market bottoms. At the Q1 crossroads in 2022 we are faced with similar conditions. Persistent hyperinflation (Jeff's Dunkin large iced black coffee is up 29% in the last month from $3.02 to $3.89), a rising rate environment that's stoking inverted yield curve/recession fears, the brutal war in Ukraine and the new Cold War 2.0 with Russia are threatening a bear market on the backdrop of the heightened volatility we have been warning of since our Annual Forecast in December.

## War Low Support Holding

Technically we are encouraged by the fact that the intraday low on February 24, the day Russia invaded Ukraine, has held, and survived at least one solid test on March 14. We have been using the **NASDAQ 100 Index** (NDX), which is tracked by the **Invesco QQQ Trust** (QQQ), as our benchmark of late as it has been leading the market in both directions for several years. As we have illustrated in the chart here the lows on February 24 and March 14 with the late-February/early-March rally in between has created a potential W-123 swing bottom. The 14300 level around point

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**S&P 500 After Down Midterm Election Year Q1**

| Year | President | Events | Q1 | Q2 | Q3 | Q4 | Year |
|---|---|---|---|---|---|---|---|
| 1938 | *FDR 2nd Term* | *War in Europe, Bear Market Bottom 3/31* | – 19.4% | 36.0% | 5.9% | 7.9% | 25.2% |
| 1942 | *FDR 3rd Term* | *US enters WWII, Bear Bottom 4/28* | – 7.8% | 3.6% | 6.6% | 10.4% | 12.4% |
| 1962 | *JFK 1st Term* | *Bear Bottom 6/26, Cuban Missile Crisis* | – 2.8% | – 21.3% | 2.8% | 12.1% | – 11.8% |
| 1966 | *LBJ 1st Term* | *Vietnam escalation, Bear Bottom 10/7* | – 3.5% | – 5.0% | – 9.7% | 4.9% | – 13.1% |
| 1970 | *Nixon 1st Term* | *Cambodia Invasion, Vietnam Protest Shootings, Gulf of Tonkin Res repealed, Bear Bottom 5/26* | – 2.6% | – 18.9% | 15.8% | 9.4% | 0.1% |
| 1974 | *Nixon/Ford* | *Oil Embargo, Watergate, Nixon Resigns, Secular Bear Bottom 12/6* | – 3.7% | – 8.5% | – 26.1% | 7.9% | – 29.7% |
| 1982 | *Reagan 1st Term* | *Double-Dip Recession End, Bear Bottom 8/26, Secular Bull Begins* | – 8.6% | – 2.1% | 9.9% | 16.8% | 14.8% |
| 1994 | *Clinton 1st Term* | *Sarejevo, Rwanda, Mandela, Mideast Peace, Ireland Peace, Chechnya, Flat year* | – 4.4% | – 0.3% | 4.1% | – 0.7% | – 1.5% |
| 2002 | *GW Bush 1st Term* | *Corp Malfeasance, Terrorism, Iraq War Buildup, Bear Bottom 10/9* | – 0.1% | – 13.7% | – 17.6% | 7.9% | – 23.4% |
| 2018 | *Trump 1st Term* | *Fed Rate Hike, Christmas Eve Crumble* | – 1.2% | 2.9% | 7.2% | – 14.0% | – 6.2% |
| 2022 | *Biden 1st Term* | *Hyper Inflation, Rate Hikes, Ukraine War* | – 4.9% | | | | |
| | | **Average:** | **– 2.7%** | **– 0.1%** | **6.3%** | **– 3.3%** |
| | | **Median:** | **– 3.6%** | **5.0%** | **7.9%** | **– 3.9%** |
| | | **Up:** | **3** | **7** | **8** | **4** |
| | | **Down:** | **7** | **3** | **2** | **6** |
| | | **% Up:** | **30.0** | **70.0** | **80.0** | **40.0** |

## April Outlook: War, Inflation & Fed Loom Over End Best Six Months

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2 becomes support, which is also right at the 50-day moving average. NDX has bumped into resistance around 15000 and the 200-day moving average.

It was also encouraging that the market had rallied back up to and through the 200-day moving average. We believe reclaiming the 200 DMA again would be most constructive. Market internals are also improving with advancers recently outpacing decliners and new highs beating new lows. We believe continued improvement technically and internally is needed for the rally to have staying power. Barring any major escalation in Ukraine, we suspect the market to log additional gains in April as the Best Six Months come to a close and then move sideways during much of Q2 and Q3. Likely testing the lows before rallying in Q4 and into 2023.

## Recession Not Forgone Conclusion

Financial pundits, market analysts and economists have been debating when and if the economy will go into recession and what that means for the stock market. We've all heard the stats that bear markets lead recessions by 8 months or so. But the dire warnings that the slightly inverted yield curve or the negative yield spread that has recently occurred will definitely lead to recession may be an exaggeration and a fear tactic to get attention. Yes, a solidly inverted yield curve or negative spread has been an indication of recession. But this slight inversion can also remedy itself before becoming recessionary. In addition, these inversions of the past everyone is citing came from much higher interest rate levels and none have occurred from anywhere near the historically low rates we have now. It's a big difference going from 4.75 to 5.50 as we did in 1999 than going from Zero to 1.0.

Many have pointed out that the lead time from these negative spreads or inversions to recessions has been years in many instances. We believe there may also be something odd with the negative yield spreads this time around. Unlike any previous period, while the spread between the 10-year and the 2-year is going down toward zero the 10-year/Fed Funds spread is rising.

Perhaps a recession is not such a foregone conclusion or at least it may only happen years down the road. We believe we will suffer another recession, someday. But it is hard to fathom a recession in the near future with the unemployment rate and claims so low and states flush with cash, infrastructure spending and the massive proposed federal budget currently on the table. It is our opinion that the news flow on the war, the Fed, oil prices and inflation will continue to drive the daily volatility.


**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, 2021, the index contained only 3687 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:** *Bullish.* April is the #1 DJIA and S&P 500 month of the year since 1950. Third best month for NASDAQ (since 1971) and Russell 2000 (since1979). Average gain in all years ranges from 1.7% by S&P 500 to 2.0% by DJIA. DJIA has been up 16 straight Aprils, 2006 – 2021. Midterm year performance has been softer with average performance sliding to -0.1% by NASDAQ to 0.7% from DJIA and Russell 2000. April is also the last month of the "Best Six Months" for DJIA and S&P 500. Our *Stock Trader's Almanac* Seasonal MACD Sell Signal can occur anytime on or after April 1.

**Fundamental:** *Murky.* Russia's Ukraine invasion persists. Commodity and energy prices remain lofty. Inflation is running at multi-decade highs with little evidence pressures will abate anytime soon. U.S. growth is slowing, and the Fed is tightening monetary policy. However, employment data and corporate earnings forecasts remain respectable. Federal infrastructure spending is also likely to give the economy a boost. If conflict in Ukraine comes to a resolution sooner rather than later, the outlook would likely greatly improve quickly.

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**Technical:** *Rebounding.* After spending the majority of the first quarter in retreat, DJIA, S&P 500 and NASDAQ appear to have found support in March. All three index charts have a death cross formation (50-day has fallen below 200-day moving average) on them, but the intra-day lows of February 24 held. The brisk rally has brought DJIA and S&P 500 back above their respective 50- and 200-day moving averages, but NASDAQ has not reclaimed its 200-day moving average yet. Given the magnitude and duration of the rally a pause here at the end of Q1 is not out of the question. If NASDAQ can reclaim and hold its 200-day moving average, then the rally could have further room to run.

**Monetary:** *0.25 – 0.50%.* Some might say "it's about time." That is what the Fed finally said too at its March meeting when it announced the first rate increase of what is likely to be a series of increases. The higher and the longer inflation runs above the Fed's target the more credibility they likely lose. Russia in Ukraine and ongoing supply chain disruptions are likely to challenge the Fed's ability to rein in inflation. Recent comments from Fed members have also indicated a willingness to move at a quicker 0.5% hike interval if needed. In the end, it is our belief that the Fed only gets to 2 to 2.5% before pausing, likely sometime next year. Considering historical interest rate levels, this would still be rather accommodative monetary policy.

**Psychological:** *Neutral.* According to *Investor's Intelligence* Advisors Sentiment survey Bullish advisors have climbed to 37.7%. Correction advisors stood at 28.2% while Bearish advisors numbered 34.1% as of their March 29 release. Historically, extreme bearish sentiment has frequently been an excellent buying opportunity. This doesn't appear to be the situation any longer as bullish sentiment has modestly improved, and the market has swiftly rallied off the March lows.

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