SEASONAL STRATEGIST
MONTHLY STOCK MARKET UPDATES

PROBABILITIES
FUND MANAGEMENT, LLC

Volume 8, Issue 9 Published by Probabilities Fund Management, LLC September 2022

September Almanac: Worst Month Modestly Better in Midterm Years

By Jeffrey A. Hirsch, CEO, Editor & Publisher and Christopher Mistal, Director of Research at Hirsch Holdings Inc, Stock Trader's Almanac & Almanac Investor Newsletter

Since 1950, September is the worst performing month of the year for DJIA, S&P 500, NASDAQ (since 1971), and Russell 2000 (since 1979). September was creamed four years straight from 1999-2002 after four solid years from 1995-1998 during the dot.com bubble madness. Although September's overall rank improves modestly in midterm years going back to 1950, average losses widen for DJIA (–0.8%) and NASDAQ (–0.8%). S&P 500's average September loss improves slightly from –0.5% to –0.4% in midterm years. Although September 2002 does influence the average declines, the fact remains DJIA has declined in 11 of the last 18 midterm-year Septembers.

Although the month used to open strong, S&P 500 has declined nine times in the last fourteen years on the first trading day. As tans begin to fade and the new school year begins, fund managers tend to sell underperforming positions as the end of the third quarter approaches. This has caused some nasty selloffs near month-end over the years. Recent substantial declines occurred following the terrorist attacks in 2001 (DJIA: –11.1%), 2002 (DJIA –12.4%), the collapse of Lehman Brothers in 2008 (DJIA: –6.0%), and U.S. debt ceiling debacle in 2011 (DJIA –6.0%).

Midterm Year September since 1950

	Rank[1]	Avg %	Up	Down
DJIA	11	–0.8	7	11
S&P 500	9	–0.4	9	9
NASDAQ*	9	–0.8	4	8

[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.

September Triple Witching week is generally bullish with S&P 500 advancing nearly twice as many times as declining since 1990 but is has suffered some sizable losses. Triple-Witching Friday was essentially a sure bet for the bulls from 2004 to 2011 but has been a loser seven or eight of the last ten years, depending on index with S&P 500 weakest, down nine of the last ten. The week after Triple Witching has been brutal, down 25 of the last 32, averaging an S&P 500 loss of 0.89%. In 2011, DJIA and

(continued on page 2)

September Vital Stats (1950-2021)

	DJIA		S&P 500		NASDAQ	
Rank[2]	12		12		12	
# Up	29		32		27	
# Down	43		39		24	
% Higher	40.3		45.1		52.9	
Average %	–0.7		–0.5		–0.7	
4-Year Presidential Election Cycle Performance by %						
Post-Election	–0.5		–0.5		–0.2	
Mid-Term	–0.8		–0.4		–0.8	
Pre-Election	–0.8		–0.8		–0.8	
Election	–0.5		–0.4		–0.4	
Best & Worst September by %						
Best	2010	7.7	2010	8.8	1998	13.0
Worst	2002	–12.4	1974	–11.9	2001	–17.0
September Weeks by %						
Best	9/28/2001	7.4	9/28/2001	7.8	9/16/2011	6.3
Worst	9/21/2001	–14.3	9/21/2001	–11.6	9/21/2001	–16.1
September Days by %						
Best	9/8/1998	5.0	9/30/2008	5.4	9/8/1998	6.0
Worst	9/17/2001	–7.1	9/29/2008	–8.8	9/29/2008	–9.1
September 2022 Bullish Days[3]: Data 2000-2021						
	2, 12, 13, 15, 16, 28		9, 12, 13, 16, 28		12, 13, 14, 16	
September 2022 Bearish Days[4]: Data 2000-2021						
	22, 23		21, 22, 23, 30		22, 23, 29	

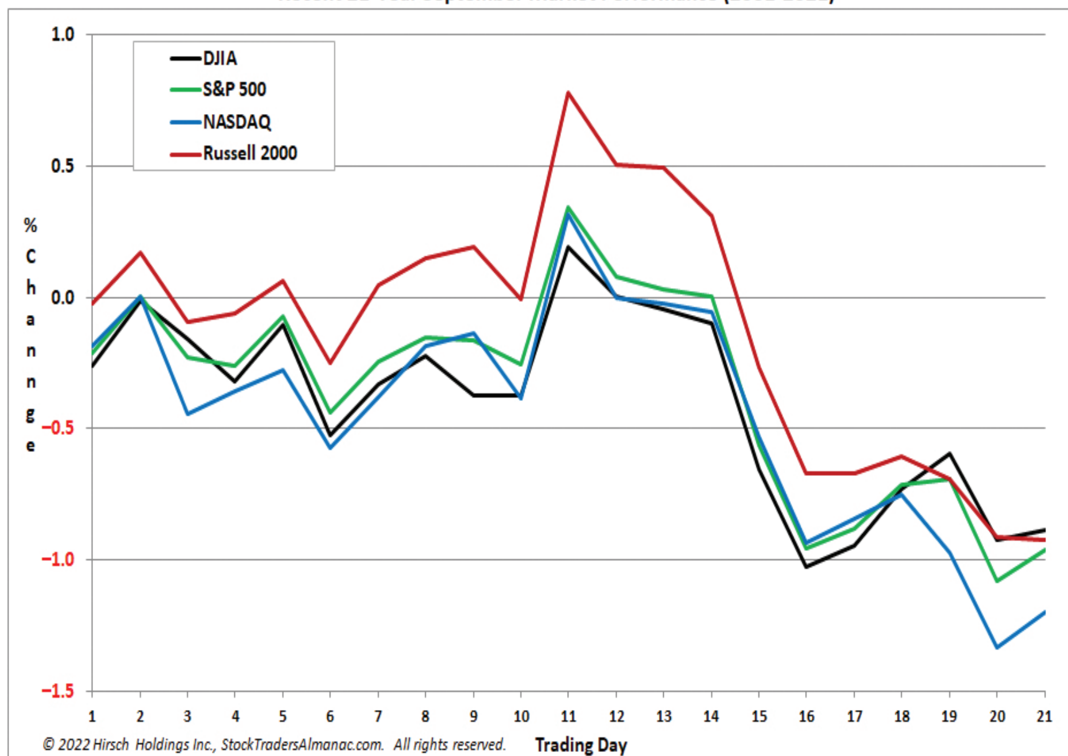
© StockTradersAlmanac.com, Hirsch Holdings Inc. All rights reserved.

[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.

September Almanac: Worst Month Modestly Better in Midterm Years

(continued from page 1)

S&P 500 both lost in excess of 6%.



In recent years, Labor Day has become the unofficial end of summer and the three-day weekend has become prime vacation time for many. Business activity ahead of the holiday was more energetic in the old days. From 1950 through 1977 the three days before Labor Day pushed the DJIA higher in twenty-five of twenty-eight years. Bullishness has since shifted to favor the Wednesday after the holiday as opposed to the days before. DJIA has gained in 20 of the last 27 Wednesdays following Labor Day. Tuesday after Labor Day also leaned bullish, but DJIA has declined on 10 of the last 14.

September Outlook: Not Out of the Woods Yet

While the folks at the Fed convened their annual symposium in late August at Jackson Lake Lodge in the Wyoming wilderness fishing for answers on the economy and its next policy moves Jeff retreated to the woods and beaches in Ogunquit, Maine. He did not come across any bears on the morning hikes along the Ogunquit River, but the level of tourist activity there was suspiciously slow.

Maine's popular southern coast was not dead, but the crowds were smaller, wait times at happening restaurants were short and beach parking spots were not too hard to come by. But the lobstah was still wicked good and the surfing was still consistently ridable. The scene up there this year seems emblematic of the economic situation in the U.S. – tepid and slower than usual, but not collapsing.

The summer rally so far has been impressive, but the Fed and particularly Chairman Powell made it painfully clear we are not out of the woods yet. The major averages stalled at their respective 200-day moving averages, a key technical level, and are now testing new short-term support around the June highs and the 50-day moving averages. Market internals are still not convincingly bullish. Back-to-back Down Friday/Down Mondays with the biggest losses since June on Monday 8/22 and Friday 8/26 is also a warning sign.

> ***"The major averages have stalled at their respective 200-day moving averages, a key technical level, and are now testing new short-term support around the June highs and the 50-day moving averages. Market internals are still not convincingly bullish."***

The second estimate of Q2 GDP was revised a little higher though still negative from –0.9% to –0.6%. Atlanta Fed's GDPNow latest estimate for Q3 has been revised lower to 1.6% last week from the high of 2.5% mid-August. Sentiment improved throughout the summer rally, but where the market moves next is really all about inflation and the Fed.

With history as our guide and current readings tame, we are inclined to heed the seasonal cautions that surround worst-month-of-the-year September and the Weak Spot of

(continued on page 3)

September Outlook: Not Out of the Woods Yet

(continued from page 2)

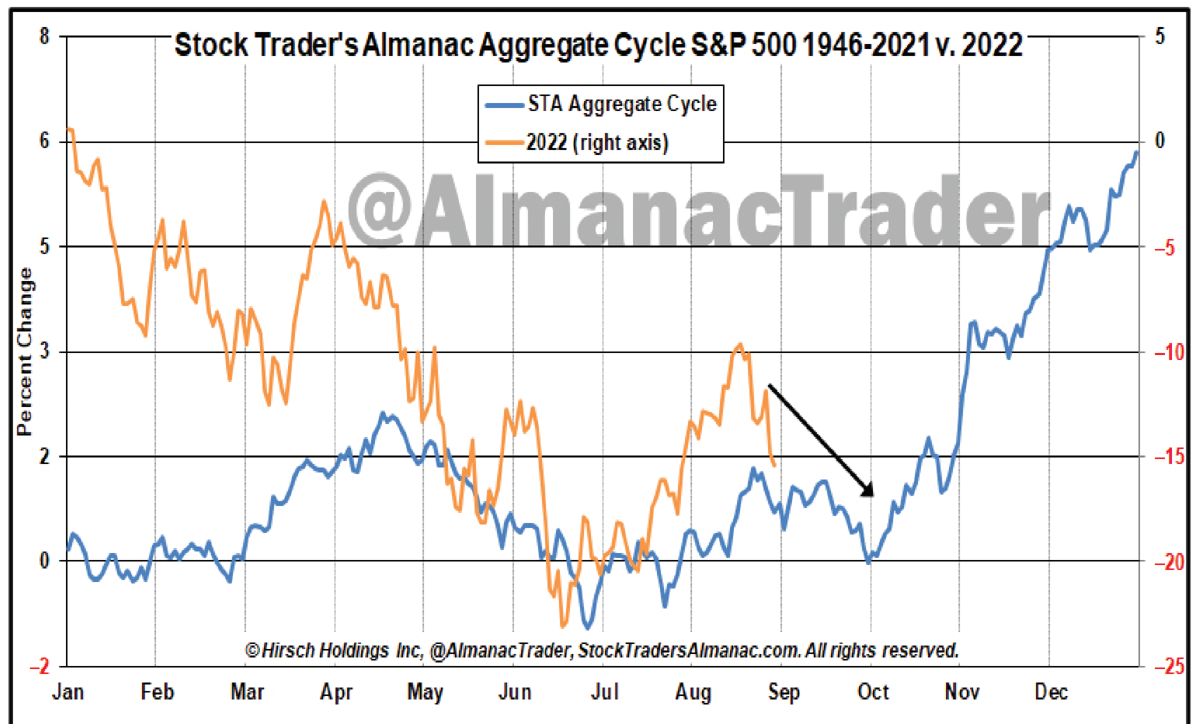
the 4-year cycle. We also still have the battles of the midterms, end of Q3 quarterly reshuffling pressures and October-phobia to contend with.

As you can see in our brand-new *Stock Trader's Almanac* Aggregate Cycle index (STAAC) the seasonals and cycles point to a continued pullback into the end of September. STA Aggregate Cycle is a combination of the 1-Year Seasonal Pattern for All Years, the 4-Year Presidential Election Cycle and the Decennial Cycle. In the chart here STAAC is all years, midterm years and second years of decades post-WWII from 1946-2021.

Should the next readings on inflation not show continued abatement and should the Fed's statements over the next several weeks and in the next FOMC policy release continue to be more hawkish than The Street has been pricing into the summer rally we believe we could take out the June lows.

The more likely scenario from our vantage point is for a retest of the June lows with a slightly higher low at some point in September or October. Then we look for a new cyclical bull market to gather momentum in the Sweet Spot of the 4-year cycle from Q4 midterm year to Q2 pre-election year.

So, while we await to hear what the Fed has to say and see what they do with rates at the next FOMC meeting on September 21 (A meeting associated with a Summary of Economic Projections) and for the next inflation readings (CPI on September 13 and PPI September 14) we are going to stick to our system and seasonal strategy and wait for better bullish signals and the Sweet Spot of the 4-Year Cycle.



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 1*973 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 twelve major errors since 1950 for an 83.3% accuracy ratio.

Market at a Glance

Seasonal: *Bearish.* September is the worst DJIA, S&P 500, NASDAQ, and Russell 2000 month of the year by average performance. Average declines range from –0.5% to –0.7%. Midterm-year Septembers have been mixed notwithstanding a modest improvement in rank. DJIA has declined in 11 of the last 18 midterm-year Septembers. End-of-quarter window dressing and rebalancing has contributed to some nasty, late-September selloffs.

Fundamental: *Recession?* Two consecutive quarters of GDP decline and a partially inverted Treasury yield curve suggest a recession. Even though debate officially continues, the second estimate of Q2 GDP was still negative with a minor positive revision. Housing is cooling and signs of labor market weakness are also appearing as additional companies announce plans to slow or stop hiring or outright cut head count. Signs of moderating inflation exist but headline readings of CPI and PPI remain elevated.

Technical: *Resistance Hit?* DJIA, S&P 500 and NASDAQ all blazed past their respective early June highs only to fail to reclaim and in the case of DJIA hold their 200-day moving averages. All three have retreated below the June highs and are now dancing with support at their respective 50-day moving averages around DJIA 32000, S&P 500 4000, and NASDAQ 11900. Should that support fail then we believe the June lows are in play. A decisive move back up and through their 200-day moving averages would be bullish in the near-term.

"Dancing with support at their respective 50-day moving averages around DJIA 32000, S&P 500 4000, and NASDAQ 11900. Should that support fail then the June lows are in play."

Monetary: *2.25 – 2.50%.* Fed representatives did not tell the market what it wanted to hear at Jackson Hole or since. It would seem the hope of a less hawkish Fed, which contributed to the summer rally, is being increasingly questioned. The Fed has aggressively increased its target rate this year however CPI remains well above the Fed's stated 2% target. QT (quantitative tightening), currently around $47.5 billion per month is scheduled to double to $95 billion on September 1. This could add additional upward pressure on interest rates.

Sentiment: *Neutral.* According to *Investor's Intelligence* Advisors Sentiment survey Bullish advisors stand at 45.1%. Correction advisors are at 25.3% while Bearish advisors numbered 29.6% as of their August 24 release. Bulls have outnumbered bears for five weeks now, but outright bullish sentiment remains rather subdued as the combination of bears and correction still outnumber the bulls. Until the market clearly demonstrates a direction again, sentiment is likely to remain essentially neutral.

People

Management Team

Joseph B. Childrey, *Founder & CIO*

Sidney C. Hardee, CFA, *Partner & CCO*

Jonathan L. Chatfield, CFA, *Advisor*

Independent Research Consultants

Allen Shepard, PhD, *Research Consultant*

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

Contact

Probabilities Fund Management, LLC
A registered investment advisor.
10655 Main Street, Suite 612
Bellevue, WA 98004
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. 6871-NLD-08312022