

S T O C K

TRADER'S

A L M A N A C

2 0 0 8

Jeffrey A. Hirsch & Yale Hirsch



John Wiley & Sons, Inc.

www.stocktradersalmanac.com

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Published by John Wiley & Sons, Inc., Hoboken, New Jersey
Published simultaneously in Canada

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ISBN-13 978-0-470-10985-4

ISBN-10 0-470-10985-8

Printed in the United States of America

10 9 8 7 6 5 4 3 2 1

This Forty-First Edition is respectfully dedicated to:

Robert Cardwell

Savvy trader, seasoned skeptic, brilliant writer, mentor, and most importantly, friend. Thank you for imparting to us your keen eye for stocks, your lucid analysis and your salient opinions on the markets and the world.

INTRODUCTION TO THE FORTY-FIRST EDITION

We are pleased and proud to introduce the Forty-First Edition of the *Stock Trader's Almanac*. The Almanac provides you with the necessary tools to invest successfully in the twenty-first century.

J.P. Morgan's classic retort "Stocks will fluctuate" is often quoted with a wink-of-the-eye implication that the only prediction one can make about the stock market is that it will go up, down, or sideways. Many investors agree that no one ever really knows which way the market will move. Nothing could be further from the truth.

We discovered that while stocks do indeed fluctuate, they do so in well-defined, often predictable patterns. These patterns recur too frequently to be the result of chance or coincidence. How else do we explain that since 1950 practically all the gains in the market were made during November through April compared to almost nothing May through October? (See page 48.)

The *Almanac* is a practical investment tool. It alerts you to those little-known market patterns and tendencies on which shrewd professionals enhance profit potential. You will be able to forecast market trends with accuracy and confidence when you use the Almanac to help you understand:

You will be able to forecast market trends with accuracy and confidence when you use the Almanac to help you understand:

- How our Presidential Elections affect the economy and the stock market — just as the moon affects the tides. Many investors have made fortunes following the political cycle. You can be sure that money managers who control billions of dollars are also political cycle watchers. Astute people do not ignore a pattern that has been working effectively throughout most of our economic history.
- How the passage of the Twentieth Amendment to the Constitution fathered the January Barometer. This barometer has an outstanding record for predicting the general course of the stock market each year with only five major errors since 1950 for a 91.2% accuracy ratio. (See page 16.)
- Why there is a significant market bias at certain times of the day, week, month and year.

Even if you are an investor who pays scant attention to cycles, indicators and patterns, your investment survival could hinge on your interpretation of one of the recurring patterns found within these pages. One of the most intriguing and important patterns is the symbiotic relationship between Washington and Wall Street. Aside from the potential profitability in seasonal patterns, there's the pure joy of seeing the market very often do just what you expected.

The *Stock Trader's Almanac* is also an organizer. Its wealth of information is presented on a calendar basis. The Almanac puts investing in a business framework and makes investing easier because it:

- Updates investment knowledge and informs you of new techniques and tools.
- Is a monthly reminder and refresher course.
- Alerts you to both seasonal opportunities and dangers.
- Furnishes an historical viewpoint by providing pertinent statistics on past market performance.
- Supplies forms necessary for portfolio planning, record keeping and tax preparation.



The WITCH Icon signifies THIRD FRIDAY OF THE MONTH on calendar pages and alerts you to extraordinary volatility due to expiration of equity and index options and index futures contracts. Triple-witching days appear during March, June, September and December.



The BULL Icon on calendar pages signifies favorable trading days based on the S&P 500 rising 60% or more of the time on a particular trading day during the 21-year period January 1986 to December 2006. A BEAR Icon on calendar pages signifies unfavorable trading days based on the S&P falling 60% or more of the time for the same 21-year period.

Also, to give you even greater perspective we have listed next to the date every day that the market is open the Market Probability numbers for the same 21-year period for the Dow (D), S&P 500 (S) and NASDAQ (N). You will see a “D,” “S” and “N” followed by a number signifying the actual Market Probability number for that trading day based on the recent 21-year period. On pages 121-128 you will find complete Market Probability Calendars both long term and 21-year for the Dow, S&P and NASDAQ as well as for the Russell 1000 and Russell 2000 indices.

Other seasonalities near the ends, beginnings and middles of months; options expirations, around holidays and other times are noted for *Almanac* investors' convenience on the weekly planner pages. We are not able to carry FOMC Meeting dates as they are no longer available at press-time. Only the first meeting of 2008, the two-day affair on January 29-30, 2008, has been scheduled. However, the rest of the FOMC Meeting dates and all other important economic releases are provided in the Strategy Calendar every month in our newsletter, *Almanac Investor*.

Historically bullish, this Election Year may prove to buck the trend. More often than not, a lame duck president uses the balance of his remaining political cache to pave the way for his veep. Not only does the sitting president have the lowest poll ratings in history, but this Election Year is the first since 1952 in which a member of the incumbency has not run for the top office in the land.

On page 78 you will find a perspective of Presidential Election Years. Among the research you will find that there has only been one loss in the last seven months of an Election Year (Page 52) and how the government manipulates the economy to stay in power (page 34). Market charts for Election Years are available on page 30 and compare market behavior when incumbent parties have won and lost on page 36.

After a major restructuring last year, we have maintained a similar layout this go around. As a reminder to long time *Almanac* readers, the ten years of monthly Daily Dow Point Changes have moved from their respective *Almanac* pages to the Databank section toward the rear of this book. We continue to rely on the clarity of this presentation to observe market tendencies. In response to newsletter subscriber feedback, we include our well-received Monthly Vital Stats on the *Almanac* pages.

The Year in Review is back again on page 6. It should be helpful to have the major events of the past year in the *Almanac*. Our research had been restructured to flow better with the rhythm of the year. This has also allowed us more room for added data. Again, we have included historical data on the Russell 1000 and Russell 2000 indices. The Russell 2K is an excellent proxy for small and mid caps, which we have used over the years, and the Russell 1K provides a broader view of large caps. Annual highs and lows for all five indices covered in the *Almanac* appear on pages 149-151. We've tweaked the Best & Worst section and brought back Option Trading Codes on page 190.

In order to cram in all the new material, we had to cut some of our Record Keeping section. We have converted many of these paper forms into computer spreadsheets for our own internal use. As a service to our faithful readers, we are making these forms available at our website www.stocktradersalmanac.com.

We are constantly searching for new insights and nuances about the stock market and welcome any suggestions from our readers.

Have a healthy and prosperous 2008!

YEAR IN REVIEW

2006

- Jun 25 – Warren Buffett gives \$31 billion to the Gates Foundation
- Jul 12 – Israel launches major onslaught in Lebanon after Hezbollah attack
- Jul 14 – Crude oil hits closing NYMEX high of \$78.71
- Jul 18 – Undersea earthquake off Java, Indonesia causes Tsunami (over 800 people die)
- Aug 14 – UN brokers peace between Israel and Hezbollah in Lebanon
- Sep 29 – US Representative Mark Foley (R-FL) resigns after sex scandal
- Oct 17 – United States population reaches 300 million
- Oct 19 – Dow closes over 12,000 first time
- Nov 7 – Democrats control House (233/202) and Senate (51/49) first time since 1994
- Nov 8 – Donald Rumsfeld resigns as Secretary of Defense
- Dec 30 – Former Iraq president Saddam Hussein executed in Baghdad by hanging
- Dec 30 – American death toll in Iraq reaches 3000

2007

- Jan 2 – Market closed for Ford funeral
- Jan 4 – Nancy Pelosi (D-CA) becomes first woman Speaker of the House
- Feb 2 – UN scientific panel declares evidence of global warming unequivocal
- Feb 28 – After China market drops 9%, Dow plummets 416 points (3.3%)
- Mar 6 – Scandal intensifies over fired Federal prosecutors
- Mar 6 – Lewis “Scooter” Libby, Cheney’s Chief of Staff, found guilty in CIA leak case
- Apr 2 – Subprime lender New Century Financial files for Chapter 11 bankruptcy
- Apr 4 – British sailors captured in Iran are freed
- Apr 13 – Outstanding US public debt tops \$8.89 trillion just prior to Federal tax deadline
- Apr 16 – Virginia Tech college student guns down 32 before committing suicide
- Apr 25 – Dow closes above 13,000 first time
- May 8 – Pentagon notifies 35,000 soldiers to prepare for deployment to Iraq this fall
- May 20 – Gasoline hits record of \$3.18 a gallon, topping 1981 inflation-adjusted high

2008 OUTLOOK

Sporting only two minor losses and an average Dow gain of 18.5% in twelve decades “eighth” years rank second only to “fifth” years. In the last fifty years, Election Years have ended lower twice in eleven occurrences with an average Dow gain of 9.2%. Over the same fifty years, fifteen bear markets have occurred. Four (1960, 1968, 1976, 2000) have commenced in an Election Year and just three (1960, 1980, 1984) have ended in Election Years.

A bear market was averted in Midterm 2006. Global economic growth, cheap Chinese goods, and a weak dollar helped the US economy navigate a soft landing between inflation and recession. At press time, from their 2006 Midterm lows to their Pre-Election Year highs, the Dow is up 27.1%, about half its average 50% gain since 1914 and NASDAQ is up 28.1%, a third of its average since 1974.

The absence of a bear market the last four and a half years in conjunction with a slowing US economy, a crumbling housing market, uncertainty on inflation, deteriorating market internals, suggests further gains in 2007 will come in below historic averages. Whether or not the market gets a comeuppance in 2007, a full-fledged bear market is not currently anticipated in Election Year 2008.

“Priming of the pump” by incumbent parties has tended to prop up market gains in Election Years. Save a political meltdown in Washington, an international debacle or a run on The Street, any major market damage is expected to be contained to, at worst, a steep, swift 2007 Pre-Election Year decline with lost ground quickly reclaimed; followed by modest gains in 2008.

Prospects for the market may depend on President Bush’s remaining political capital. He may not have the cache or credibility to effectively extol economic conditions for political ends, potentially limiting upside in 2008. However, any severe declines or bear market are likely to be staved off until Post-Election 2009 or Midterm 2010.

— Jeffrey A. Hirsch, May 24, 2007

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2008 STRATEGY CALENDAR


(Option expiration dates encircled)

	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
JANUARY	31	1 JANUARY New Year's Day	2	3	4	5	6
	7	8	9	10	11	12	13
	14	15	16	17	18	19	20
	21 Martin Luther King Day	22	23	24	25	26	27
FEBRUARY	28	29	30	31	1 FEBRUARY	2	3
	4	5	6 Ash Wednesday	7	8	9	10
	11	12	13	14 ♥	15	16	17
	18 Presidents' Day	19	20	21	22	23	24
MARCH	25	26	27	28	29	1 MARCH	2
	3	4	5	6	7	8	9 Daylight Saving Time Begins
	10	11	12	13	14	15	16
	17 St. Patrick's Day	18	19	20	21 Good Friday	22	23 Easter
APRIL	24	25	26	27	28	29	30
	31	1 APRIL	2	3	4	5	6
	7	8	9	10	11	12	13
	14	15 Tax Deadline	16	17	18	19	20 Passover
MAY	21	22	23	24	25	26	27
	28	29	30	1 MAY	2	3	4
	5	6	7	8	9	10	11 Mother's Day
	12	13	14	15	16	17	18
JUNE	19	20	21	22	23	24	25
	26 Memorial Day	27	28	29	30	31	1 JUNE
	2	3	4	5	6	7	8
	9	10	11	12	13	14	15 Father's Day
16	17	18	19	20	21	22	
23	24	25	26	27	28	29	

Market closed on shaded weekdays; closes early when half-shaded.

2008 STRATEGY CALENDAR

(Option expiration dates encircled)

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
30	1 JULY	2	3	4 Independence Day	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31	1 AUGUST	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31
1 SEPTEMBER Labor Day	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30 Rosh Hashanah	1 OCTOBER	2	3	4	5
6	7	8	9 Yom Kippur	10	11	12
13 Columbus Day	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31 	1 NOVEMBER	2 Daylight Saving Time Ends
3	4 Election Day	5	6	7	8	9
10	11 Veterans' Day	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27 Thanksgiving	28	29	30
1 DECEMBER	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22 Chanukah	23	24	25 Christmas	26	27	28
29	30	31	1 JANUARY New Year's Day	2	3	4

JULY

AUGUST

SEPTEMBER

OCTOBER

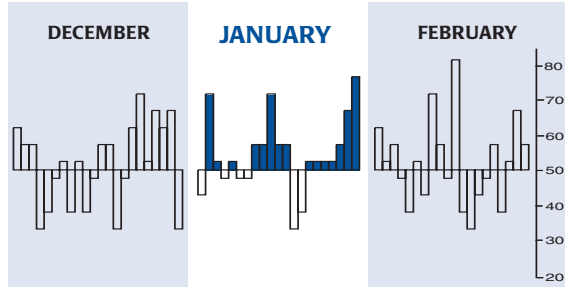
NOVEMBER

DECEMBER

JANUARY ALMANAC

JANUARY						
S	M	T	W	T	F	S
	1	2	3	4	5	
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

FEBRUARY						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	



Market Probability Chart above is a graphic representation of the S&P 500 Recent Market Probability Calendar on page 124.

- ◆ January Barometer predicts year's course with .754 batting average (page 16)
- ◆ Every down January on the S&P since 1950, *without exception*, preceded a new or extended bear market, or a flat market (page 42), six Election Years followed suit
- ◆ S&P gains January's first five days preceded full-year gains 86.1% of the time, in Election Years only years (1988 & 1956) have been wrong (page 14)
- ◆ November, December and January constitute the year's best three-month span, a 4.9% S&P gain (pages 44 & 147)
- ◆ January NASDAQ powerful 3.7% since 1971 (pages 56 & 148)
- ◆ "January Effect" now starts in mid-December and favors small-cap stocks (pages 104 & 106)
- ◆ Since 1972 Election Year Januarys are #1 for Dow and S&P, #2 for NASDAQ


January Vital Statistics

	DJIA	S&P 500	NASDAQ	Russell 1K	Russell 2K
Rank	4	3	1	2	1
Up	39	37	26	20	18
Down	19	21	11	9	11
Avg % Change	1.3%	1.4%	3.7%	1.7%	2.7%
Election Year	0.5%	0.7%	3.4%	1.1%	3.0%
Best & Worst January					
	% Change	% Change	% Change	% Change	% Change
Best	1976 14.4	1987 13.2	1975 16.6	1987 12.7	1985 13.1
Worst	1960 -8.4	1970 -7.6	1990 -8.6	1990 -7.4	1990 -8.9
Best & Worst January Weeks					
Best	1/9/76 6.1	1/31/75 5.5	1/12/01 9.1	1/9/87 5.3	1/9/87 7.0
Worst	1/24/03 -5.3	1/28/00 -5.6	1/28/00 -8.2	1/28/00 -5.5	1/7/05 -5.9
Best & Worst January Days					
Best	1/17/91 4.6	1/3/01 5.0	1/3/01 14.2	1/3/01 5.3	1/3/01 4.7
Worst	1/8/88 -6.9	1/8/88 -6.8	1/2/01 -7.2	1/8/88 -6.1	1/2/01 -4.4
First Trading Day of Expiration Week: 1980-2007					
Record (#Up - #Down)	19-9	17-11	16-12	16-12	17-11
Current streak	U1	U1	D2	U1	D2
Avg % Change	0.11	0.15	0.16	0.13	0.22
Options Expiration Day: 1980-2007					
Record (#Up - #Down)	13-15	14-14	17-11	14-14	16-12
Current streak	D3	U1	U1	U1	U1
Avg % Change	-0.12	-0.06	-0.10	-0.08	-0.07
Options Expiration Week: 1980-2007					
Record (#Up - #Down)	15-13	13-15	17-11	13-15	16-12
Current streak	U1	D3	D3	D3	D3
Avg % Change	0.08	0.33	0.65	0.32	0.69
Week After Options Expiration: 1980-2007					
Record (#Up - #Down)	6-12	18-10	17-11	18-10	19-9
Current streak	D1	D1	D1	D1	U4
Avg % Change	0.11	0.36	0.30	0.32	0.31
First Trading Day Performance					
% of Time Up	56.9	46.6	54.1	37.9	41.4
Avg % Change	0.19	0.06	0.03	-0.04	-0.12
Last Trading Day Performance					
% of Time Up	60.3	65.5	67.6	65.5	79.3
Avg % Change	0.27	0.31	0.38	0.45	0.32

Dow & S&P 1950-April 2007, NASDAQ 1971-April 2007, Russell 1K & 2K 1979-April 2007.

DECEMBER/JANUARY 2008

*Last Day of the Year NASDAQ Down 7 Straight After Being Up 29 in a Row!
Dow Down 7 of Last 11*

 MONDAY
D 38.1
S 33.3
N 66.7 **31**

*If I had my life to live over again, I would elect to be a trader of goods rather than a student of science.
I think barter is a noble thing. — Albert Einstein (German/American physicist, 1921 Nobel Prize, 1934, 1879-1955)*

New Year's Day (Market Closed)

TUESDAY
1


*It's a lot of fun finding a country nobody knows about. The only thing better is finding a country everybody's bullish on
and shorting it. — Jim Rogers (Financier, Investment Biker, b. 1942)*

First Trading Day of the Year NASDAQ Up 8 of Last 10

WEDNESDAY
D 61.9
S 42.9
N 61.9 **2**

*America, this brash and noble container of dreams, this muse to artists and inventors and entrepreneurs,
this beacon of optimism, this dynamo of energy, this trumpet blare of liberty. — Peter Jennings
(Canadian-born anchor ABC World News Tonight, July 2003 after gaining US citizenship, 1938-2005)*

Second Trading Day of the Year Dow Up 11 of Last 14

 THURSDAY
D 71.4
S 71.4
N 81.0 **3**

The years teach much which the days never know.

— Ralph Waldo Emerson (American author, poet and philosopher, *Self-Reliance*, 1803-1882)

FRIDAY
D 47.6
S 52.4
N 61.9 **4**

The symbol of all relationships among such men, the moral symbol of respect for human beings, is the trader.

— Ayn Rand (Russian-born American novelist and philosopher, John Galt's Speech, *Atlas Shrugged*, 1957, 1905-1982)

SATURDAY
5

January Almanac Investor Seasonalities: see Pages 114 & 116

SUNDAY
6

JANUARY'S FIRST FIVE DAYS AN "EARLY WARNING" SYSTEM

The last 36 up First Five Days were followed by full-year gains 31 times for an 86.1% accuracy ratio and a 13.7% average gain in all 36 years. The five exceptions include flat 1994 and four related to war. Vietnam military spending delayed start of 1966 bear market. Ceasefire imminent early in 1973 raised stocks temporarily. Saddam Hussein turned 1990 into a bear. The war on terrorism, instability in the Mideast and corporate malfeasance shaped 2002 into one of the worst years on record. The 21 down First Five Days were followed by 11 up years and 10 down (less than 50% accurate).

Bullish 4-Year Election Cycle forces have given this indicator a 12-2 record in Election Years. Two of four down years have been wrong. However, a bear market began in 1956 with concern over Eisenhower's heart condition, the Suez Canal Crisis, and Russia's suppression of the Hungarian Revolution. A mini-crash on the fifth day of 1988 felled the S&P 6.8%.

THE FIRST-FIVE-DAYS-IN-JANUARY INDICATOR

Chronological Data					Ranked By Performance			
	Previous Year's Close	January 5th Day	5-Day Change	Year Change	Rank		5-Day Change	Year Change
1950	16.76	17.09	2.0%	21.8%	1	1987	6.2%	2.0
1951	20.41	20.88	2.3	16.5	2	1976	4.9	19.1
1952	23.77	23.91	0.6	11.8	3	1999	3.7	19.5
1953	26.57	26.33	-0.9	-6.6	4	2003	3.4	26.4
1954	24.81	24.93	0.5	45.0	5	2006	3.4	13.6
1955	35.98	35.33	-1.8	26.4	6	1983	3.3	17.3
1956	45.48	44.51	-2.1	2.6	7	1967	3.1	20.1
1957	46.67	46.25	-0.9	-14.3	8	1979	2.8	12.3
1958	39.99	40.99	2.5	38.1	9	1963	2.6	18.9
1959	55.21	55.40	0.3	8.5	10	1958	2.5	38.1
1960	59.89	59.50	-0.7	-3.0	11	1984	2.4	1.4
1961	58.11	58.81	1.2	23.1	12	1951	2.3	16.5
1962	71.55	69.12	-3.4	-11.8	13	1975	2.2	31.5
1963	63.10	64.74	2.6	18.9	14	1950	2.0	21.8
1964	75.02	76.00	1.3	13.0	15	2004	1.8	9.0
1965	84.75	85.37	0.7	9.1	16	1973	1.5	-17.4
1966	92.43	93.14	0.8	-13.1	17	1972	1.4	15.6
1967	80.33	82.81	3.1	20.1	18	1964	1.3	13.0
1968	96.47	96.62	0.2	7.7	19	1961	1.2	23.1
1969	103.86	100.80	-2.9	-11.4	20	1989	1.2	27.3
1970	92.06	92.68	0.7	0.1	21	2002	1.1	-23.4
1971	92.15	92.19	0.04	10.8	22	1997	1.0	31.0
1972	102.09	103.47	1.4	15.6	23	1980	0.9	25.8
1973	118.05	119.85	1.5	-17.4	24	1966	0.8	-13.1
1974	97.55	96.12	-1.5	-29.7	25	1994	0.7	-1.5
1975	68.56	70.04	2.2	31.5	26	1965	0.7	9.1
1976	90.19	94.58	4.9	19.1	27	1970	0.7	0.1
1977	107.46	105.01	-2.3	-11.5	28	1952	0.6	11.8
1978	95.10	90.64	-4.7	1.1	29	1954	0.5	45.0
1979	96.11	98.80	2.8	12.3	30	1996	0.4	20.3
1980	107.94	108.95	0.9	25.8	31	1959	0.3	8.5
1981	135.76	133.06	-2.0	-9.7	32	1995	0.3	34.1
1982	122.55	119.55	-2.4	14.8	33	1992	0.2	4.5
1983	140.64	145.23	3.3	17.3	34	1968	0.2	7.7
1984	164.93	168.90	2.4	1.4	35	1990	0.1	-6.6
1985	167.24	163.99	-1.9	26.3	36	1971	0.04	10.8
1986	211.28	207.97	-1.6	14.6	37	2007	-0.4	??
1987	242.17	257.28	6.2	2.0	38	1960	-0.7	-3.0
1988	247.08	243.40	-1.5	12.4	39	1957	-0.9	-14.3
1989	277.72	280.98	1.2	27.3	40	1953	-0.9	-6.6
1990	353.40	353.79	0.1	-6.6	41	1974	-1.5	-29.7
1991	330.22	314.90	-4.6	26.3	42	1998	-1.5	26.7
1992	417.09	418.10	0.2	4.5	43	1988	-1.5	12.4
1993	435.71	429.05	-1.5	7.1	44	1993	-1.5	7.1
1994	466.45	469.90	0.7	-1.5	45	1986	-1.6	14.6
1995	459.27	460.83	0.3	34.1	46	2001	-1.8	-13.0
1996	615.93	618.46	0.4	20.3	47	1955	-1.8	26.4
1997	740.74	748.41	1.0	31.0	48	2000	-1.9	-10.1
1998	970.43	956.04	-1.5	26.7	49	1985	-1.9	26.3
1999	1229.23	1275.09	3.7	19.5	50	1981	-2.0	-9.7
2000	1469.25	1441.46	-1.9	-10.1	51	1956	-2.1	2.6
2001	1320.28	1295.86	-1.8	-13.0	52	2005	-2.1	3.0
2002	1148.08	1160.71	1.1	-23.4	53	1977	-2.3	-11.5
2003	879.82	909.93	3.4	26.4	54	1982	-2.4	14.8
2004	1111.92	1131.91	1.8	9.0	55	1969	-2.9	-11.4
2005	1211.92	1186.19	-2.1	3.0	56	1962	-3.4	-11.8
2006	1248.29	1290.15	3.4	13.6	57	1991	-4.6	26.3
2007	1418.30	1412.11	-0.4	??	58	1978	-4.7	1.1

Based on S&P 500

JANUARY

MONDAY

D 57.1
S 47.6
N 61.9

7

If I owe a million dollars I am lost. But if I owe \$50 billion the bankers are lost. — Celso Ming (Brazilian journalist)

January's First Five Days Act as an "Early Warning" (Page 14)

TUESDAY

D 42.9
S 52.4
N 52.4

8

Intense concentration hour after hour can bring out resources in people they didn't know they had.
— Edwin Land (Polaroid inventor & founder, 1909-1991)

WEDNESDAY

D 47.6
S 47.6
N 57.1

9

Every great advance in natural knowledge has involved the absolute rejection of authority.
— Thomas H. Huxley (British scientist and humanist, defender of Darwinism, 1825-1895)

THURSDAY

D 47.6
S 47.6
N 52.4

10

There is only one corner of the universe you can be certain of improving, and that's yourself.
— Aldous Huxley (English author, *Brave New World*, 1894-1963)

FRIDAY

D 57.1
S 57.1
N 57.1

11

If a man has no talents, he is unhappy enough; but if he has, envy pursues him in proportion to his ability.
— Leopold Mozart (to his son Wolfgang Amadeus, 1768)

SATURDAY

12

SUNDAY

13

THE INCREDIBLE JANUARY BAROMETER (DEvised 1972) ONLY FIVE SIGNIFICANT ERRORS IN 57 YEARS

Devised by Yale Hirsch in 1972, our January Barometer states that as the S&P goes in January, so goes the year. The indicator has registered **only five major errors since 1950 for a 91.2% accuracy ratio**. Vietnam affected 1966 and 1968; 1982 saw the start of a major bull market in August; two January rate cuts and 9/11 affected 2001; and the anticipation of military action in Iraq held down the market in January 2003. (*Almanac Investor* newsletter subscribers were warned at the time not to heed the January Barometer's negative reading as it was being influenced by Iraqi concerns.)

Including the nine flat years (less than +/- 5%) yields a 75.4% accuracy ratio. A full comparison of all monthly barometers for the Dow, S&P and NASDAQ in our newsletter archives (March 2004) at www.stocktradersalmanac.com details January's market forecasting prowess. Bear markets began or continued when Januaries suffered a loss (*see page 42*). Full years followed January's direction in ten of the last fourteen Election Years. The four errors occurred when January was down. *See pages 18, 22 and 24 for more January Barometer items.*

AS JANUARY GOES, SO GOES THE YEAR

Market Performance In January					Ranked By Performance			
	Previous Year's Close	January Close	January Change	Year Change	Rank	January Change	Year Change	
1950	16.76	17.05	1.7%	21.8%	1	1987	13.2%	2.0% flat
1951	20.41	21.66	6.1	16.5	2	1975	12.3	31.5
1952	23.77	24.14	1.6	11.8	3	1976	11.8	19.1
1953	26.57	26.38	-0.7	-6.6	4	1967	7.8	20.1
1954	24.81	26.08	5.1	45.0	5	1985	7.4	26.3
1955	35.98	36.63	1.8	26.4	6	1989	7.1	27.3
1956	45.48	43.82	-3.6	2.6 flat	7	1961	6.3	23.1
1957	46.67	44.72	-4.2	-14.3	8	1997	6.1	31.0
1958	39.99	41.70	4.3	38.1	9	1951	6.1	16.5
1959	55.21	55.42	0.4	8.5	10	1980	5.8	25.8
1960	59.89	55.61	-7.1	-3.0 flat	11	1954	5.1	45.0
1961	58.11	61.78	6.3	23.1	12	1963	4.9	18.9
1962	71.55	68.84	-3.8	-11.8	13	1958	4.3	38.1
1963	63.10	66.20	4.9	18.9	14	1991	4.2	26.3
1964	75.02	77.04	2.7	13.0	15	1999	4.1	19.5
1965	84.75	87.56	3.3	9.1	16	1971	4.0	10.8
1966	92.43	92.88	0.5	-13.1 X	17	1988	4.0	12.4
1967	80.33	86.61	7.8	20.1	18	1979	4.0	12.3
1968	96.47	92.24	-4.4	7.7 X	19	2001	3.5	-13.0 X
1969	103.86	103.01	-0.8	-11.4	20	1965	3.3	9.1
1970	92.06	85.02	-7.6	0.1 flat	21	1983	3.3	17.3
1971	92.15	95.88	4.0	10.8	22	1996	3.3	20.3
1972	102.09	103.94	1.8	15.6	23	1994	3.3	-1.5 flat
1973	118.05	116.03	-1.7	-17.4	24	1964	2.7	13.0
1974	97.55	96.57	-1.0	-29.7	25	2006	2.5	13.6
1975	68.56	76.98	12.3	31.5	26	1995	2.4	34.1
1976	90.19	100.86	11.8	19.1	27	1972	1.8	15.6
1977	107.46	102.03	-5.1	-11.5	28	1955	1.8	26.4
1978	95.10	89.25	-6.2	1.1 flat	29	1950	1.7	21.8
1979	96.11	99.93	4.0	12.3	30	2004	1.7	9.0
1980	107.94	114.16	5.8	25.8	31	1952	1.6	11.8
1981	135.76	129.55	-4.6	-9.7	32	2007	1.4	??
1982	122.55	120.40	-1.8	14.8 X	33	1998	1.0	26.7
1983	140.64	145.30	3.3	17.3	34	1993	0.7	7.1
1984	164.93	163.41	-0.9	1.4 flat	35	1966	0.5	-13.1 X
1985	167.24	179.63	7.4	26.3	36	1959	0.4	8.5
1986	211.28	211.78	0.2	14.6	37	1986	0.2	14.6
1987	242.17	274.08	13.2	2.0 flat	38	1953	-0.7	-6.6
1988	247.08	257.07	4.0	12.4	39	1969	-0.8	-11.4
1989	277.72	297.47	7.1	27.3	40	1984	-0.9	1.4 flat
1990	353.40	329.08	-6.9	-6.6	41	1974	-1.0	-29.7
1991	330.22	343.93	4.2	26.3	42	2002	-1.6	-23.4
1992	417.09	408.79	-2.0	4.5 flat	43	1973	-1.7	-17.4
1993	435.71	438.78	0.7	7.1	44	1982	-1.8	14.8 X
1994	466.45	481.61	3.3	-1.5 flat	45	1992	-2.0	4.5 flat
1995	459.27	470.42	2.4	34.1	46	2005	-2.5	3.0 flat
1996	615.93	636.02	3.3	20.3	47	2003	-2.7	26.4 X
1997	740.74	786.16	6.1	31.0	48	1956	-3.6	2.6 flat
1998	970.43	980.28	1.0	26.7	49	1962	-3.8	-11.8
1999	1229.23	1279.64	4.1	19.5	50	1957	-4.2	-14.3
2000	1469.25	1394.46	-5.1	-10.1	51	1968	-4.4	7.7 X
2001	1320.28	1366.01	3.5	-13.0 X	52	1981	-4.6	-9.7
2002	1148.08	1130.20	-1.6	-23.4	53	1977	-5.1	-11.5
2003	879.82	855.70	-2.7	26.4 X	54	2000	-5.1	-10.1
2004	1111.92	1131.13	1.7	9.0	55	1978	-6.2	1.1 flat
2005	1211.92	1181.27	-2.5	3.0 flat	56	1990	-6.9	-6.6
2006	1248.29	1280.08	2.5	13.6	57	1960	-7.1	-3.0 flat
2007	1418.30	1438.24	1.4	??	58	1970	-7.6	0.1 flat

X = 5 major errors

Based on S&P 500

JANUARY

First Trading Day of January Expiration Week Dow Up 11 of Last 15

MONDAY

D 47.6
S 57.1
N 66.7

14

The facts are unimportant! It's what they are perceived to be that determines the course of events.
— R. Earl Hadady (*Bullish Consensus, Contrary Opinion*)



TUESDAY

D 66.7
S 71.4
N 61.9

15

If I had eight hours to chop down a tree, I'd spend six sharpening my axe. — Abraham Lincoln (16th US President, 1809-1865)

WEDNESDAY

D 61.9
S 57.1
N 66.7

16

There have been three great inventions since the beginning of time: The fire, the wheel, and central banking.
— Will Rogers (American humorist and showman, 1879-1935)

THURSDAY

D 42.9
S 57.1
N 71.4

17

You win some, you lose some. And then there's that little-known third category.
— Albert Gore (US Vice President 1993-2000, former 2000 presidential candidate, quoted at the 2004 DNC)

January Expiration Day Dow Down 8 of Last 9 With Big Losses



FRIDAY

D 38.1
S 33.3
N 33.3

18

It's a buy when the 10-week moving average crosses the 30-week moving average and the slope of both averages is up.
— Victor Sperandio (*Trader Vic — Methods of a Wall Street Master*)

SATURDAY

19

SUNDAY

20

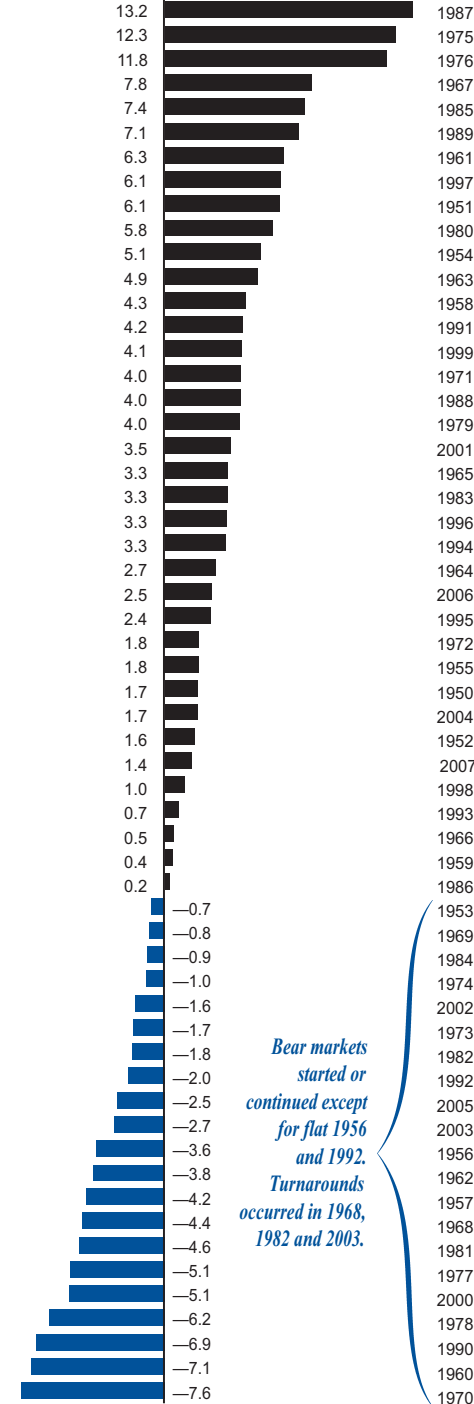
JANUARY BAROMETER IN GRAPHIC FORM SINCE 1950

% Loss JANUARY CHANGE % Gain

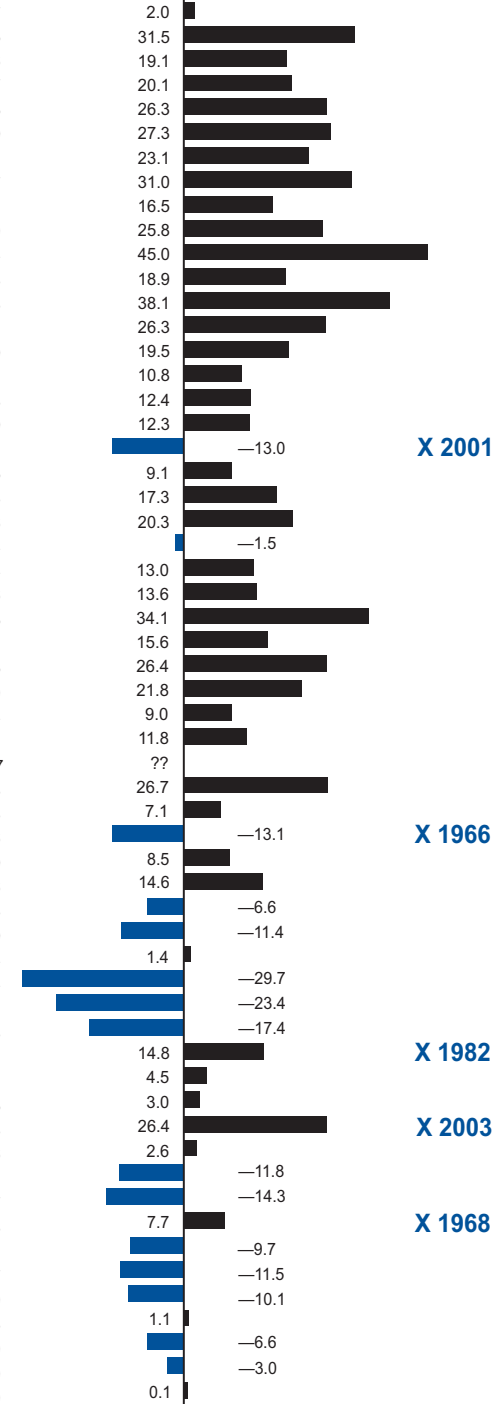
% Loss FULL-YEAR CHANGE % Gain

-8 -6 -4 -2 0 2 4 6 8 10 12 14

-30 -20 -10 0 10 20 30 40



Bear markets started or continued except for flat 1956 and 1992. Turnarounds occurred in 1968, 1982 and 2003.



X 2001

X 1966

X 1982

X 2003

X 1968

X = 5 major errors Based on S&P 500

JANUARY

Martin Luther King Jr. Day (Market Closed)

MONDAY

21

In the end, we will remember not the words of our enemies, but the silence of our friends.
— Martin Luther King, Jr. (Civil rights leader, 1964 Nobel Peace Prize, 1929-1968)



TUESDAY

D 33.3
S 38.1
N 47.6

22

You know you're right when the other side starts to shout. — I. A. O'Shaughnessy (American oilman, 1885-1973)

WEDNESDAY

D 52.4
S 52.4
N 52.4

23

In nature there are no rewards or punishments; there are consequences. — Horace Annesley Vachell (*The Force of Clay*)

"January Barometer" 91.2% accurate (Page 16)
Almanac Investor Subscribers Emailed Official Reading Alert

THURSDAY

D 42.9
S 52.4
N 57.1

24

Never will a man penetrate deeper into error than when he is continuing on a road that has led him to great success.
— Friedrich von Hayek (*Counterrevolution of Science*)

FRIDAY

D 71.4
S 52.4
N 42.9

25

The measure of success is not whether you have a tough problem to deal with, but whether it's the same problem you had last year.
— John Foster Dulles (Secretary of State under Eisenhower, 1888-1959)

SATURDAY

26

February Almanac Investor Seasonalities: see Pages 114 & 116

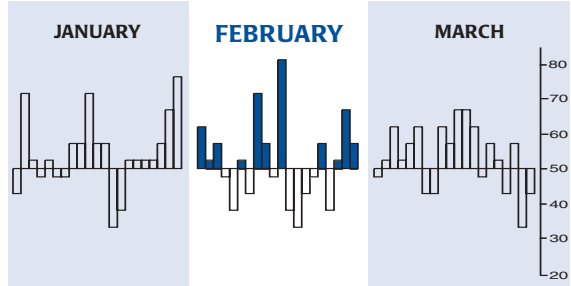
SUNDAY

27

FEBRUARY ALMANAC

FEBRUARY						
S	M	T	W	T	F	S
				1	2	
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	

MARCH						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					



Market Probability Chart above is a graphic representation of the S&P 500 Recent Market Probability Calendar on page 124.

- ◆ February is the weak link in “Best Six Months” (pages 44, 58 & 147)
- ◆ RECENT RECORD improving: S&P 15 up, 8 down, average change 0.6% for 23 years ◆ #1 NASDAQ Month in Election Years average 3.4%, up 6 down 3 (page 157), but #9 S&P and #11 Dow (pages 153 & 155), both up 5, down 4 ◆ Day before Presidents’ Day weekend S&P down 14 of 16, 11 straight 1992-2002, day after improving lately, up 9 of 16 (see page 84 & 133) ◆ Many technicians modify market predictions based on January’s market

February Vital Statistics

	DJIA		S&P 500		NASDAQ		Russell 1K		Russell 2K	
Rank	8		11		8		11		5	
Up	33		31		19		17		16	
Down	25		27		18		12		13	
Avg % Change	0.2%		-0.1%		0.5%		0.2%		1.3%	
Election Year	0.1%		0.1%		3.4%		0.3%		3.4%	
Best & Worst February										
	% Change		% Change		% Change		% Change		% Change	
Best	1986	8.8	1986	7.1	2000	19.2	1986	7.2	2000	16.4
Worst	2000	-7.4	2001	-9.2	2001	-22.4	2001	-9.5	1999	-8.2
Best & Worst February Weeks										
Best	2/22/74	4.4	2/8/91	4.8	2/4/00	9.2	2/8/91	4.6	2/1/91	6.6
Worst	2/11/00	-4.9	2/23/01	-4.3	2/9/01	-7.1	2/23/01	-4.4	2/10/84	-4.6
Best & Worst February Days										
Best	2/24/84	2.7	2/22/99	2.7	2/11/99	4.2	2/22/99	2.6	2/29/00	3.6
Worst	2/27/07	-3.3	2/27/07	-3.5	2/16/01	-5.0	2/27/07	-3.4	2/27/07	-3.8
First Trading Day of Expiration Week: 1980-2007										
Record (#Up - #Down)	17-11		19-9		14-14		19-9		15-13	
Current streak	D3		D2		D2		D2		D2	
Avg % Change	0.39		0.33		0.04		0.28		0.08	
Options Expiration Day: 1980-2007										
Record (#Up - #Down)	13-15		10-18		11-17		11-17		12-16	
Current streak	U1		D2		D4		D2		U1	
Avg % Change	-0.07		-0.16		-0.33		-0.16		-0.07	
Options Expiration Week: 1980-2007										
Record (#Up - #Down)	16-12		13-15		13-15		12-16		16-12	
Current streak	U2		U2		U2		U2		U2	
Avg % Change	0.40		0.13		-0.05		0.13		0.19	
Week After Options Expiration: 1980-2007										
Record (#Up - #Down)	12-16		13-15		17-11		13-15		17-11	
Current streak	D2		D1		U3		D1		U4	
Avg % Change	-0.22		-0.11		-0.03		-0.06		0.12	
First Trading Day Performance										
% of Time Up	60.3		60.3		67.6		65.5		62.1	
Avg % Change	0.11		0.09		0.25		0.07		0.16	
Last Trading Day Performance										
% of Time Up	51.7		58.6		56.8		62.1		65.5	
Avg % Change	0.08		0.08		0.05		0.11		0.33	

Dow & S&P 1950-April 2007, NASDAQ 1971-April 2007, Russell 1K & 2K 1979-April 2007.

*Either go short, or stay away
The day before Presidents' Day*

JANUARY / FEBRUARY

MONDAY

D 66.7
S 52.4
N 76.2

28

Unless you love EVERYBODY, you can't sell ANYBODY. — (From Jerry Maguire, 1996)

FOMC Meeting (2 Days)

TUESDAY

D 52.4
S 57.1
N 66.7

29

An autobiography must be such that one can sue oneself for libel. — Thomas Hoving (Museum Director)

January Ends "Best Three-Month Span" (Pages 44, 56, 147 & 148)



WEDNESDAY

D 61.9
S 66.7
N 57.1

30

It's not that I am so smart; it's just that I stay with problems longer.

— Albert Einstein (German/American physicist, 1921 Nobel Prize, 1879-1955)



THURSDAY

D 71.4
S 76.2
N 71.4

31

Every truth passes through three stages before it is recognized. In the first it is ridiculed; in the second it is opposed; in the third it is regarded as self evident. — Arthur Schopenhauer (German philosopher, 1788-1860)

First Trading Day in February Dow Up 7 of Last 8 and Last Five in a Row



FRIDAY

D 61.9
S 61.9
N 81.0

1

The worst mistake investors make is taking their profits too soon, and their losses too long.

— Michael Price (Mutual Shares Fund)

SATURDAY

2

SUNDAY

3

HOT JANUARY INDUSTRIES BEAT S&P NEXT 11 MONTHS

The S&P 500 in January tends to predict the market's direction for the year. In turn, Standard & Poor's top ten industries in January outperform the index over the next eleven months.

Our friend Sam Stovall, Chief Investment Strategist at S&P, has crunched the numbers over the years. He calls it the "January Barometer Portfolio" or JBP. Since 1970 a portfolio of the top ten S&P Industries during January has beaten the S&P 500 itself — and performed even better in years when January was up.

The JBP went on to outperform the S&P 500 during the remaining 11 months of the year 73% of the time, 15.8% to 7.0%, on average. When the S&P 500 is up in January, a top-10 industries portfolio increases the average portfolio gain to 20.5% for the last 11 months of the year vs. 12.7% for the S&P.

For more check Sam's Sector Watch at businessweek.com or our March 2007 *Almanac Investor* newsletter in the archives at www.stocktradersalmanac.com. Also highlighted are Sam's selected stocks from within the top ten sectors.

AS JANUARY GOES, SO GOES THE YEAR FOR TOP PERFORMING INDUSTRIES

January's Top 10 Industries vs. S&P 500 Next 11 Months

	11 Month % Change		S&P Jan %	After S&P Up in January		After S&P Down in January	
	Portfolio	S&P		Portfolio	S&P	Portfolio	S&P
1970	-4.7	-0.3	-7.6			-4.7	-0.3
1971	23.5	6.1	4.0	23.5	6.1		
1972	19.7	13.7	1.8	19.7	13.7		
1973	5.2	-20.0	-1.7			5.2	-20.0
1974	-29.2	-30.2	-1.0			-29.2	-30.2
1975	57.3	22.2	12.3	57.3	22.2		
1976	16.3	8.1	11.8	16.3	8.1		
1977	-9.1	-9.6	-5.1			-9.1	-9.6
1978	7.3	6.5	-6.2			7.3	6.5
1979	21.7	8.1	4.0	21.7	8.1		
1980	38.3	20.4	5.8	38.3	20.4		
1981	5.0	-6.9	-4.6			5.0	-6.9
1982	37.2	18.8	-1.8			37.2	18.8
1983	17.2	13.9	3.3	17.2	13.9		
1984	-5.0	-1.1	-0.9			-5.0	-1.1
1985	28.2	20.8	7.4	28.2	20.8		
1986	18.1	19.4	0.2	18.1	19.4		
1987	-1.5	-8.9	13.2	-1.5	-8.9		
1988	18.4	10.4	4.0	18.4	10.4		
1989	16.1	22.1	7.1	16.1	22.1		
1990	-4.4	-3.3	-6.9			-4.4	-3.3
1991	35.7	19.4	4.2	35.7	19.4		
1992	14.6	4.7	-2.0			14.6	4.7
1993	23.7	7.2	0.7	23.7	7.2		
1994	-7.1	-4.6	3.3	-7.1	-4.6		
1995	25.6	30.9	2.4	25.6	30.9		
1996	5.4	16.5	3.3	5.4	16.5		
1997	4.7	23.4	6.1	4.7	23.4		
1998	45.2	25.4	1.0	45.2	25.4		
1999	67.9	14.8	4.1	67.9	14.8		
2000	23.6	-5.3	-5.1			23.6	-5.3
2001	-13.1	-16.0	3.5	-13.1	-16.0		
2002	-16.2	-22.2	-1.6			-16.2	-22.2
2003	69.3	29.9	-2.7			69.3	29.9
2004	9.9	7.1	1.7	9.9	7.1		
2005	20.7	5.7	-2.5			20.7	5.7
2006	-0.3	10.8	2.5	-0.3	10.8		
2007			1.4				
Averages	15.8%	7.0%		20.5%	12.7%	8.2%	-2.4%

FEBRUARY

MONDAY

D 47.6
S 52.4
N 71.4

4

Whom the gods would destroy, they first put on the cover of Business Week.

— Paul Krugman (Economist, *NY Times* 8/17/2001, referring to Enron CEO, cover 2/12, scandal 6/23, quits 8/16)

TUESDAY

D 42.9
S 57.1
N 57.1

5

Regret for the things we did can be tempered by time; it is regret for the things we did not do that is inconsolable.

— Sydney J. Harris (American journalist and author, 1917-1986)

Ash Wednesday

WEDNESDAY

D 47.6
S 47.6
N 61.9

6

The thing always happens that you really believe in. The belief in a thing makes it happen.

— Frank Lloyd Wright (American architect)

 THURSDAY

D 42.9
S 38.1
N 52.4

7

Make money and the whole nation will conspire to call you a gentleman. — George Bernard Shaw (Irish dramatist, 1856-1950)

NASDAQ Flattened in February 2001 Down 22.4%

FRIDAY

D 47.6
S 52.4
N 57.1

8

Averaging down in a bear market is tantamount to taking a seat on the down escalator at Macy's.

— Richard Russell (*Dow Theory Letters*, 1984)

SATURDAY

9

SUNDAY

10

1933 “LAME DUCK” AMENDMENT REASON JANUARY BAROMETER WORKS

There would be no January Barometer without the passage in 1933 of the Twentieth “Lame Duck” Amendment to the Constitution. Since then it has essentially been “As January goes, so goes the year.” January’s direction has correctly forecasted the major trend for the market in most of the subsequent years.

Prior to 1934, newly elected Senators and Representatives did not take office until December of the following year, 13 months later (except when new Presidents were inaugurated). Defeated Congressmen stayed in Congress for all of the following session. They were known as “lame ducks.”

JANUARY BAROMETER (ODD YEARS)

January % Change	12 Month % Change	Same	Opposite
-4.2%	41.2%		1935
3.8	-38.6		1937
-6.9	-5.4	1939	
-4.8	-17.9	1941	
7.2	19.4	1943	
1.4	30.7	1945	
2.4	N/C	1947	
0.1	10.3	1949	
6.1	16.5	1951	
-0.7	-6.6	1953	
1.8	26.4	1955	
-4.2	-14.3	1957	
0.4	8.5	1959	
6.3	23.1	1961	
4.9	18.9	1963	
3.3	9.1	1965	
7.8	20.1	1967	
-0.8	-11.4	1969	
4.0	10.8	1971	
-1.7	-17.4	1973	
12.3	31.5	1975	
-5.1	-11.5	1977	
4.0	12.3	1979	
-4.6	-9.7	1981	
3.3	17.3	1983	
7.4	26.3	1985	
13.2	2.0	1987	
7.1	27.3	1989	
4.1	26.3	1991	
0.7	7.1	1993	
2.4	34.1	1995	
6.1	31.0	1997	
4.1	19.5	1999	
3.5	-13.0		2001
-2.7	26.4		2003
-2.5	3.0		2005
1.4	??	2007?	2007?

12 month's % change includes January's % change
Based on S&P 500

Since 1934, Congress convenes in the first week of January and includes those members newly elected the previous November. Inauguration Day was also moved up from March 4 to January 20. As a result several events have been squeezed into January, which affect our economy and our stock market and quite possibly those of many nations of the world.

The basis for January’s predictive capacity comes from the fact that so many important events occur in the month: new Congresses convene; the President gives the State of the Union message, presents the annual budget and sets national goals and priorities. Switch these events to any other month and chances are the January Barometer would become a memory.

The table shows the January Barometer in odd years. In 1935 and 1937, the Democrats already had the most lopsided Congressional margins in history, so when these two Congresses convened it was anticlimactic.

The January Barometer in subsequent odd-numbered years had compiled a perfect record until two January interest rate cuts and the 9/11 attack affected 2001, the anticipation of military action in Iraq held the market down in January 2003, and we experienced a flat 2005. The disastrous Indian Ocean Tsunami on December 26, 2004 may have impacted stocks in January 2005.

See the January Barometer compared to prior “New Congress Barometers” at www.stocktradersalmanac.com.

FEBRUARY

*Monday Before February Expiration Dow Down 3 in a Row
After a Run of 11 Straight Winners*

MONDAY

D 52.4
S 42.9
N 47.6

11

The words "I am..." are potent words; be careful what you hitch them to. The thing you're claiming has a way of reaching back and claiming you. — A. L. Kitzelman (Author, math teacher)



TUESDAY

D 61.9
S 71.4
N 61.9

12

*Make sure you have a jester because people in high places are seldom told the truth.
— Radio caller to President Ronald Reagan*

WEDNESDAY

D 52.4
S 57.1
N 47.6

13

*One determined person can make a significant difference; a small group of determined people can change the course of history.
— Sonia Johnson (Author, lecturer)*

Valentine's Day ♥

THURSDAY

D 52.4
S 47.6
N 61.9

14

*I never buy at the bottom and I always sell too soon.
— Baron Nathan Rothschild's success formula (London Financier, 1777-1836)*

*February Expiration Day S&P Down 10 of Last 14
Day Before Presidents' Day S&P Down 14 of Last 16*



FRIDAY

D 81.0
S 81.0
N 71.4

15

*The political problem of mankind is to combine three things: economic efficiency, social justice, and individual liberty.
— John Maynard Keynes (British economist, 1883-1946)*

SATURDAY

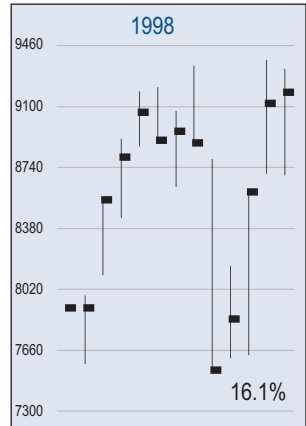
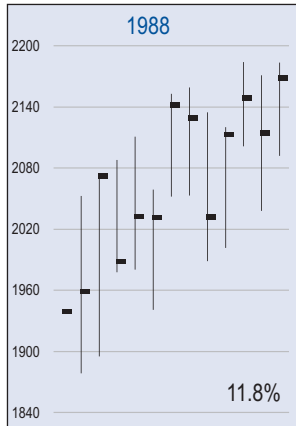
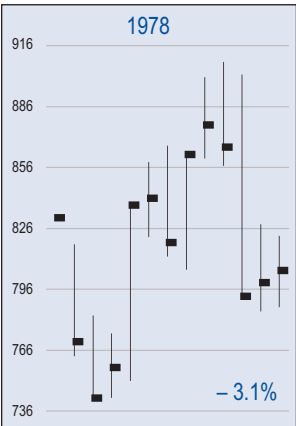
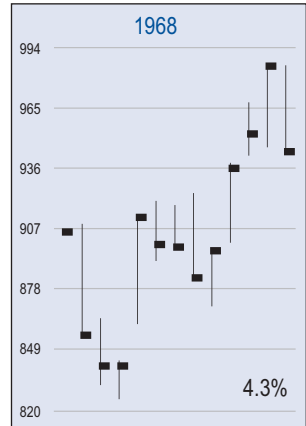
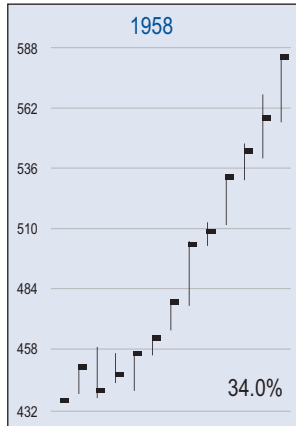
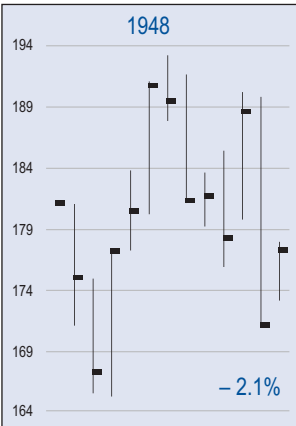
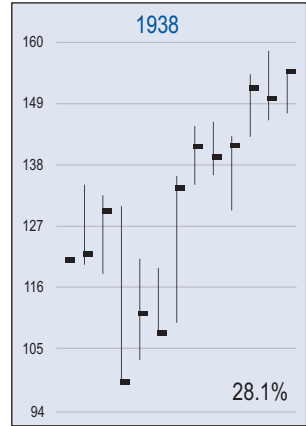
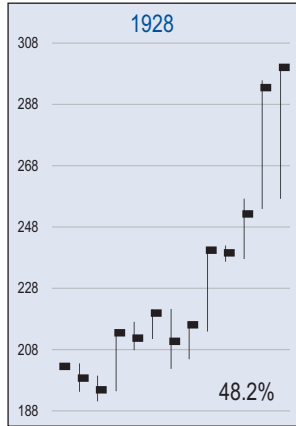
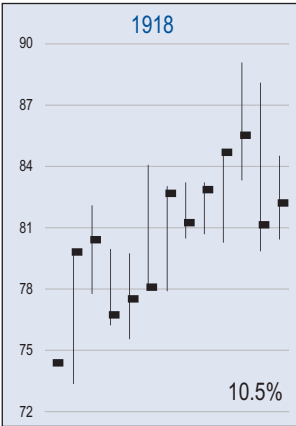
16

SUNDAY

17

THE EIGHTH YEAR OF DECADES

An average Dow gain of 18.5% in twelve decades and just two minor losses, rank “eighth” years second only to “fifth” years. The 10% November drop after Truman beat Dewey left 1948 a loser; following 1978’s “October Massacre,” the Dow ended the year slightly down while the S&P was up a bit. Bullish Election year forces are expected to produce modest gains in 2008.



Based on Dow Jones Industrial Average monthly ranges and closing prices

FEBRUARY

Presidents' Day (Market Closed)

MONDAY

18

A weakened White House creates uncertainty on Wall Street.

— Robert Hormats (Vice chairman, Goldman Sachs Int'l, CNN 10/28/2005)

Day After Presidents' Day a Mixed Bag, 7 of Last 8 S&P Losses Down >1%



TUESDAY

D 38.1

S 38.1

N 38.1

19

A man will fight harder for his interests than his rights. — Napoleon Bonaparte (Emperor of France 1804-1815, 1769-1821)



WEDNESDAY

D 28.6

S 33.3

N 42.9

20

In the history of the financial markets, arrogance has destroyed far more capital than stupidity.

— Jason Trennert (Managing Partner, Strategas Research Partners, March 27, 2006)

THURSDAY

D 52.4

S 42.9

N 42.9

21

Give me a stock clerk with a goal and I will give you a man who will make history. Give me a man without a goal, and I will give you a stock clerk. — James Cash Penney (J.C. Penney founder)

FRIDAY

D 57.1

S 47.6

N 42.9

22

Economics is a very difficult subject. I've compared it to trying to learn how to repair a car when the engine is running.

— Ben Bernanke (Fed Chairman 2006, June 2004 Region interview as Fed Governor)

SATURDAY

23

March Almanac Investor Seasonalities: see Pages 114 & 116

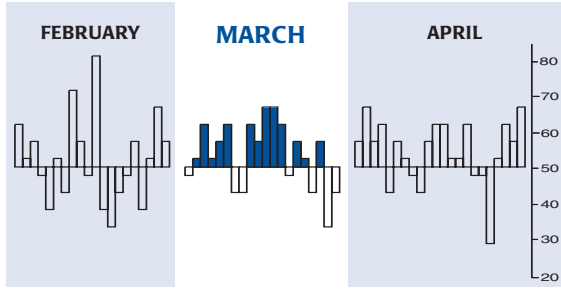
SUNDAY

24

MARCH ALMANAC

MARCH						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

APRIL						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			



Market Probability Chart above is a graphic representation of the S&P 500 Recent Market Probability Calendar on page 124.

- ◆ Early and mid-month strength and late-month weakness are most evident above
- ◆ RECENT RECORD: S&P 16 up, 8 down, average gain 0.9%, seventh best
- ◆ Rather stormy in recent years with wild fluctuations and large gains and losses
- ◆ March has been taking some mean end-of-quarter hits (page 134), down 1469 Dow points March 9-22, 2001 ◆ Last three or four days Dow a net loser thirteen out of last sixteen years ◆ NASDAQ hard hit in 2001, down 14.5% after 22.4% drop in February ◆ Market much luckier the day before St. Patrick's Day ◆ Worst NASDAQ month during Election Years average drop -2.5%, up 4, down 5

March Vital Statistics

	DJIA	S&P 500	NASDAQ	Russell 1K	Russell 2K
Rank	6	5	9	8	8
Up	37	38	23	19	20
Down	21	20	14	10	9
Avg % Change	0.9%	1.0%	0.3%	0.7%	0.7%
Election Year	0.5%	0.8%	-2.5%	-1.1%	-3.0%
Best & Worst March					
	% Change	% Change	% Change	% Change	% Change
Best	2000 7.8	2000 9.7	1999 7.6	2000 8.9	1979 9.7
Worst	1980 -9.0	1980 -10.2	1980 -17.1	1980 -11.5	1980 -18.5
Best & Worst March Weeks					
Best	3/21/03 8.4	3/21/03 7.5	3/3/00 7.1	3/21/03 7.4	3/3/00 7.4
Worst	3/16/01 -7.7	3/16/01 -6.7	3/16/01 -7.9	3/16/01 -6.8	3/7/80 -7.6
Best & Worst March Days					
Best	3/16/00 4.9	3/16/00 4.8	3/13/03 4.8	3/16/00 4.9	3/28/80 4.8
Worst	3/12/01 -4.1	3/12/01 -4.3	3/12/01 -6.3	3/12/01 -4.4	3/27/80 -6.6
First Trading Day of Expiration Week: 1980-2007					
Record (#Up - #Down)	18-10	19-9	14-14	19-9	16-12
Current streak	U1	U3	U3	U3	U3
Avg % Change	0.16	0.07	-0.27	0.02	-0.28
Options Expiration Day: 1980-2007					
Record (#Up - #Down)	16-12	17-11	14-14	15-13	13-15
Current streak	D1	D1	D1	D1	D1
Avg % Change	0.05	0.005	-0.03	0.003	-0.04
Options Expiration Week: 1980-2007					
Record (#Up - #Down)	18-10	17-11	15-13	16-12	14-14
Current streak	D1	D1	D1	D1	D1
Avg % Change	0.80	0.61	-0.19	0.54	-0.06
Week After Options Expiration: 1980-2007					
Record (#Up - #Down)	12-16	9-19	13-15	9-19	13-15
Current streak	U2	U1	U2	U1	U2
Avg % Change	-0.55	-0.38	-0.20	-0.39	-0.25
First Trading Day Performance					
% of Time Up	69.0	63.8	64.9	58.6	69.0
Avg % Change	0.24	0.24	0.35	0.29	0.38
Last Trading Day Performance					
% of Time Up	39.7	37.9	64.9	44.8	86.2
Avg % Change	-0.14	-0.04	0.14	0.04	0.39

Dow & S&P 1950-April 2007, NASDAQ 1971-April 2007, Russell 1K & 2K 1979-April 2007.

March has Ides and St. Patrick's Day Begins bullish, then fades away

FEBRUARY / MARCH

MONDAY

D 52.4
S 57.1
N 57.1

25

Those who are of the opinion that money will do everything may very well be suspected to do everything for money.
— Sir George Savile (British statesman and author, 1633-1695)



TUESDAY

D 38.1
S 38.1
N 57.1

26

Ignorance is not knowing something; stupidity is not admitting your ignorance. — Daniel Turov (*Turov on Timing*)

WEDNESDAY

D 47.6
S 52.4
N 52.4

27

The whole secret to our success is being able to con ourselves into believing that we're going to change the world [even though] we are unlikely to do it. — Tom Peters (American writer, *In Search of Excellence*, *Fortune* 11/13/2000)



THURSDAY

D 57.1
S 66.7
N 61.9

28

Short-term volatility is greatest at turning points and diminishes as a trend becomes established.
— George Soros (Financier, philanthropist, political activist, author and philosopher, b. 1930)

NASDAQ Crushed in March 2001 Down 14.5%
After a 22.4% Drop in February

FRIDAY

D 47.6
S 57.1
N 52.4

29

The reading of all good books is indeed like a conversation with the noblest men of past centuries, in which they reveal to us the best of their thoughts. — René Descartes (French philosopher, mathematician & scientist, 1596-1650)

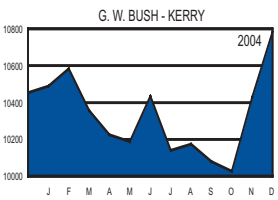
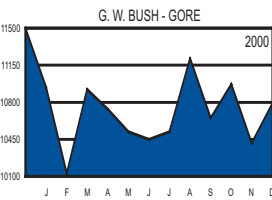
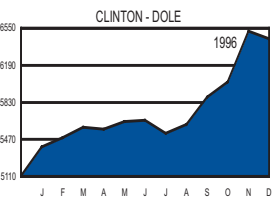
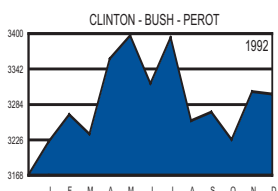
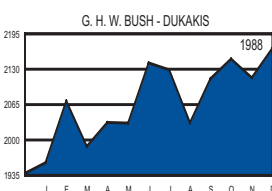
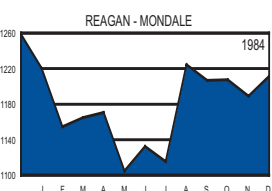
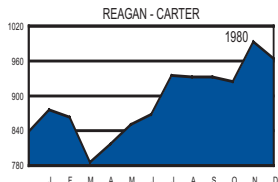
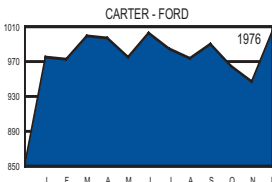
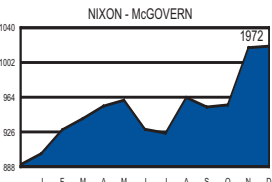
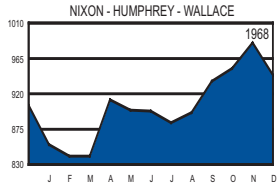
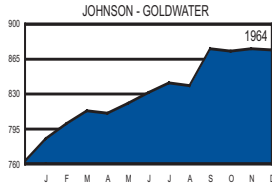
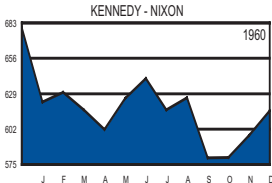
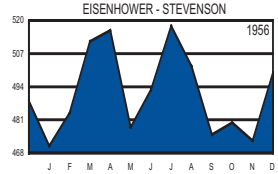
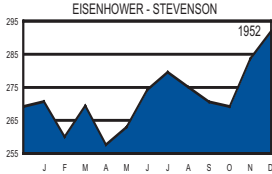
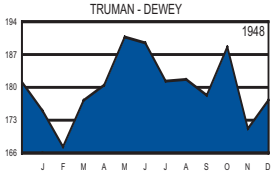
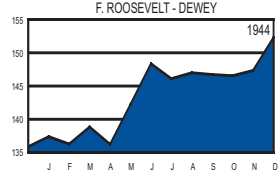
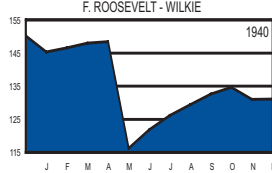
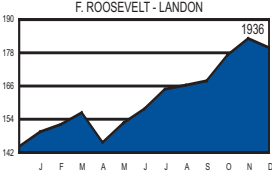
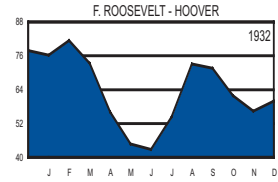
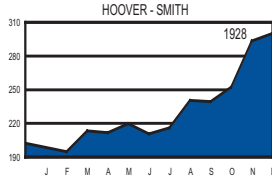
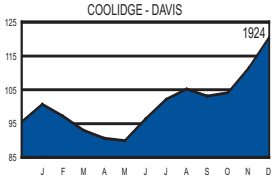
SATURDAY

1

SUNDAY

2

MARKET CHARTS OF PRESIDENTIAL ELECTION YEARS



Based on Dow Jones Industrial Average monthly closing prices

First Trading Day in March Dow Up 9 of Last 12

MONDAY

D 57.1
S 47.6
N 66.7

3

If you live each day as if it was your last, someday you'll most certainly be right.

— Favorite quote of Steve Jobs (CEO Apple & Pixar, Stanford University commencement address, 6/15/05)

TUESDAY

D 61.9
S 52.4
N 42.9

4

We do not believe any group of men adequate enough or wise enough to operate without scrutiny or without criticism... the only way to avoid error is to detect it, that the only way to detect it is to be free to inquire...in secrecy error undetected will flourish and subvert. — J. Robert Oppenheimer (American physicist, father of A-bomb, 1904-1967)

March Historically Strong Early in the Month

WEDNESDAY

D 61.9
S 61.9
N 71.4

5

In the twenty-two presidential elections from 1900 through 1984, Americans chose the most optimistic-sounding candidate eighteen times. — Martin E. Seligman, Ph.D (Professor of Psychology, University of Pennsylvania, *Learned Optimism*, 1990)

THURSDAY

D 52.4
S 52.4
N 57.1

6

It has been said that politics is the second oldest profession. I have learned that it bears a striking resemblance to the first. — Ronald Reagan (40th US President, 1911-2004)

Dow Down 1469 Points March 9-22 in 2001

FRIDAY

D 57.1
S 57.1
N 61.9

7

In Washington people tell the truth off the record and lie on the record. In the Middle East they lie off the record and tell the truth on the record. — Thomas L. Friedman (*NY Times* Foreign Affairs columnist, "Meet the Press" 12/17/06)

SATURDAY

8

Daylight Saving Time Begins

SUNDAY

9

PROFIT ON DAY BEFORE ST. PATRICK'S DAY

We first published Saint Patrick's Day bullishness in the 1977 Almanac. Dan Turov, editor of *Turov On Timing*, notes gains the day before Saint Patrick's Day have proved best, outperforming the days before many legal holidays for an average gain of 0.30% on the S&P. Irish luck, or coincidence?

During the past 55 years, Saint Patrick's Day itself has posted just a wee gain of 0.16%. The day before Saint Pat's 2007 landed on Triple-Witching Friday and suffered a loss as the market started a new rally.

Saint Patrick's Day 2008 falls on Monday before Triple-Witching. However, Fridays before March Triple-Witching have been down 5 of the last 6 Election Years and down over 1% twice and more than 2% thrice. Monday of Triple-Witching Week has been much stronger. March has been volatile in Election Years, so we would not press our luck, but going long the day before may prove fortunate in 2008.

Perhaps it's the anticipation of the patron saint's holiday that boosts the market and the distraction of the parade down Fifth Avenue that holds the market back — or is it the absent, and then hung-over, traders? Or maybe it's the fact that Saint Pat's usually falls in Triple-Witching Week.

ST. PATRICK'S DAY TRADING RECORD (DAYS BEFORE AND AFTER)

Year	St. Pat's Day	% Change 2 Days Prior	% Change 1 Day Prior	S&P 500 St. Pat's Day or Next *	% Change St. Pat's Day *	% Change Day After
1953	Tue	0.19%	0.15%	26.33	0.42%	-0.34%
1954	Wed	-0.45	-0.04	26.62	0.23	0.41
1955	Thu	-2.15	0.76	36.12	0.39	0.17
1956	Sat	0.97	0.31	48.59	0.93	0.58
1957	Sun	0.07	-0.05	43.85	-0.45	0.43
1958	Mon	0.12	-0.31	42.04	-0.69	-0.36
1959	Tue	0.12	-1.08	56.52	0.82	-0.23
1960	Thu	0.77	0.55	54.96	-0.15	0.09
1961	Fri	0.30	1.01	64.60	0.61	0.40
1962	Sat	0.21	-0.17	70.85	-0.13	-0.27
1963	Sun	-0.47	0.50	65.61	-0.49	-0.21
1964	Tue	0.08	N/C	79.32	0.23	0.08
1965	Wed	0.03	-0.13	87.02	-0.13	-0.24
1966	Thu	-0.57	0.58	88.17	0.35	0.41
1967	Fri	0.95	1.01	90.25	0.18	-0.06
1968	Sun	-1.90	0.88	89.59	0.55	-0.67
1969	Mon	-0.67	-0.40	98.25	0.26	0.24
1970	Tue	-0.53	-1.08	87.29	0.44	0.29
1971	Wed	1.14	0.50	101.12	-0.09	0.07
1972	Fri	0.13	-0.23	107.92	0.39	-0.31
1973	Sat	-0.75	-0.51	112.17	-1.21	-0.20
1974	Sun	-0.09	-0.37	98.05	-1.24	-0.84
1975	Mon	0.18	1.22	86.01	1.47	-1.02
1976	Wed	-1.05	1.12	100.86	-0.06	-0.41
1977	Thu	0.55	0.19	102.08	-0.09	-0.22
1978	Fri	-0.26	0.44	90.20	0.77	0.69
1979	Sat	0.15	0.83	101.06	0.37	-0.55
1980	Mon	-1.17	-1.17	102.26	-3.01	1.80
1981	Tue	-0.06	1.18	133.92	-0.56	0.22
1982	Wed	0.77	-0.16	109.08	-0.18	1.12
1983	Thu	0.35	-1.03	149.59	-0.14	0.21
1984	Sat	0.41	1.18	157.78	-0.94	0.68
1985	Sun	-0.20	-0.74	176.88	0.20	1.50
1986	Mon	0.28	1.44	234.67	-0.79	0.47
1987	Tue	-0.46	-0.57	292.47	1.47	0.11
1988	Thu	-0.09	0.95	271.22	0.96	-0.04
1989	Fri	0.52	0.93	292.69	-2.25	-0.95
1990	Sat	0.36	1.14	343.53	0.47	-0.57
1991	Sun	-0.29	0.02	372.11	-0.40	-1.48
1992	Tue	0.48	0.14	409.58	0.78	-0.10
1993	Wed	0.36	-0.01	448.31	-0.68	0.80
1994	Thu	-0.08	0.52	470.90	0.32	0.04
1995	Fri	-0.20	0.72	495.52	0.02	0.13
1996	Sun	0.36	0.09	652.65	1.75	-0.15
1997	Mon	-1.83	0.46	795.71	0.32	-0.76
1998	Tue	-0.12	1.00	1080.45	0.11	0.47
1999	Wed	0.98	-0.07	1297.82	-0.66	1.44
2000	Fri	2.43	4.76	1464.47	0.41	-0.54
2001	Sat	0.59	-1.96	1170.81	1.76	-2.41
2002	Sun	-0.09	1.14	1165.55	-0.05	0.41
2003	Mon	3.45	0.16	862.79	3.54	0.42
2004	Wed	-1.43	0.56	1123.75	1.17	-0.13
2005	Thu	-0.75	-0.81	1190.21	0.18	-0.05
2006	Fri	0.43	0.81	1307.25	0.15	-0.17
2007	Sat	0.37	-0.38	1402.06	1.09	0.63
Average		0.12%	0.30%		0.16%	0.02%

*When St. Patrick's Day falls on Saturday or Sunday, the following trading day is used. Based on S&P 500.



MONDAY

D 52.4
S 61.9
N 47.6

10

Imagination is more important than knowledge. — Albert Einstein (German/American physicist, 1921 Nobel Prize, 1879-1955)

TUESDAY

D 52.4
S 42.9
N 52.4

11

If you create an act, you create a habit. If you create a habit, you create a character. If you create a character, you create a destiny. — André Maurois (Novelist, biographer, essayist, 1885-1967)

WEDNESDAY

D 47.6
S 42.9
N 47.6

12

At the age of 24, I began setting clear, written goals for each area of my life. I accomplished more in the following year than I had in the previous 24. — Brian Tracy (Motivational speaker)



THURSDAY

D 42.9
S 61.9
N 61.9

13

Those companies that the market expects will have the best futures, as measured by the price/earnings ratios they are accorded, have consistently done worst subsequently. — David Dreman (Dreman Value Management, author, *Forbes* columnist, b. 1936)

Market Much Luckier Day Before St. Patrick's Day (Page 32)

FRIDAY

D 61.9
S 57.1
N 52.4

14

Don't delay! A good plan, violently executed now, is better than a perfect plan next week. War is a very simple thing, [like stock trading] and the determining characteristics are self-confidence, speed, and audacity. — General George S. Patton, Jr. (US Army field commander WWII, 1885-1945)

SATURDAY

15

SUNDAY

16

HOW THE GOVERNMENT MANIPULATES THE ECONOMY TO STAY IN POWER

Bull markets tend to occur in the third and fourth years of presidential terms while markets tend to decline in the first and second years. The “making of presidents” is accompanied by an unobvious manipulation of the economy. Incumbent administrations are duty-bound to retain the reins of power. Subsequently, the “piper must be paid,” producing what we have coined the “Post-Presidential Year Syndrome.” Most big, bad bear markets began in such years — 1929, 1937, 1957, 1969, 1973, 1977 and 1981. Our major wars also began in years following elections — Civil War (1861), WWI (1917), WWII (1941) and Vietnam (1965). Post-election 2001 combined with 2002 for the worst back-to-back years since 1973-74. Plus we had 9/11, the war on terror and the build-up to confrontation with Iraq.

Some cold hard facts to prove economic manipulation appeared in a book by Edward R. Tufte, *Political Control of the Economy* (Princeton University Press). Stimulative fiscal measures designed to increase per capita disposable income providing a sense of well-being to the voting public included: increases in federal budget deficits, government spending and social security benefits; interest rate reductions on government loans; and speed-ups of projected funding.

Federal Spending: During 1962-1973, the average increase was 29% higher in election years than in non-election years.

Social Security: There were nine increases during the 1952-1974 period. Half of the six election-year increases became effective in September eight weeks before Election Day. The average increase was 100% higher in presidential than in midterm election years. Annual adjustments for inflation have been the norm since then

Real Disposable Income: Accelerated in all but one election year between 1947 and 1973 (excluding the Eisenhower years). Only one of the remaining odd-numbered years (1973) showed a marked acceleration.

These moves were obviously not coincidences and explain why we tend to have a political (four-year) stock market cycle. Here are more examples of Election Year “generosity”:

- Nixon plans to pump about \$1 billion a month more than originally planned into spending programs designed to put money into the pockets of millions of currently unhappy voters...Such openhanded spending marks Nixon’s conversion from unsuccessful policies of conservatism and gradualism to the activist, pump-priming Keynesian economic theory. *Time Magazine*, January 31, 1972.
- EPA Administrator Carol M. Browner today announced President Clinton’s proposed fiscal year 2001 budget of \$7.3 billion for the United States Environmental Protection Agency, the largest increase in the history of the Clinton/Gore Administration in spending for EPA. February 7, 2000.
- Like many of its predecessors, the Bush White House has used the machinery of government to promote the re-election of the president by awarding federal grants to strategically important states. *NY Times*, May 18, 2004.
- Even some conservatives grumble that Bush’s tax cuts, expanded drug benefits for seniors and increased military spending have spurred a dramatic increase in the federal budget deficit, projected to be \$477 billion in fiscal 2004, according to the Congressional Budget Office. *TheStreet.com*, July 2, 2004.

The United States does not have an exclusive on electoral spending manipulations:

- An executive increases spending to reward or cultivate loyalty to himself as the party or coalition leader. Evidence from South Korea and Taiwan between the 1970s and 2000 supports the theory. This strategy affects spending outcomes in election years. *Journal of East Asian Studies*, January 2006

As we go to press the 2008 election campaigns have begun earlier than ever and many primaries and caucuses have been moved up earlier on the 2008 calendar as states vie for influence. The field is wide-open, but should narrow quickly. President Bush and the Republicans have already primed the pump rather liberally during Bush’s tenure and with approval ratings quite low, it brings into question their capacity to impact economic conditions to help sway voters.

MARCH

St. Patrick's Day

Monday Before March Triple Witching Dow Up 15 of Last 20

 MONDAY
D 57.1
S 66.7
N 47.6 **17**

The reasonable man adapts himself to the world; the unreasonable one persists in trying to adapt the world to himself. Therefore, all progress depends on the unreasonable man. — George Bernard Shaw (Irish dramatist, 1856-1950)




 TUESDAY
D 66.7
S 66.7
N 71.4 **18**

There is only one side of the market and it is not the bull side or the bear side, but the right side.
— Jesse Livermore (Early 20th century stock trader & speculator, *How to Trade in Stocks*, 1877-1940)

 WEDNESDAY
D 52.4
S 61.9
N 61.9 **19**

He who wants to persuade should put his trust not in the right argument, but in the right word. The power of sound has always been greater than the power of sense. — Joseph Conrad (Polish/British novelist, 1857-1924)

Day Before Good Friday Worse in March — S&P Down 4 of Last 5, Average -0.4%, March Triple Witching Dow Down 7 of Last 12

   THURSDAY
D 61.9
S 47.6
N 61.9 **20**

One only gets to the top rung on the ladder by steadily climbing up one at a time, and suddenly all sorts of powers, all sorts of abilities, which you thought never belonged to you-suddenly become within your own possibility...
— Margaret Thatcher (British Prime Minister 1979-1990, b. 1925)

Good Friday (Market Closed)

FRIDAY
21

I sold enough papers last year of high school to pay cash for a BMW. — Michael Dell (Founder Dell Computer, *Forbes*)

SATURDAY
22

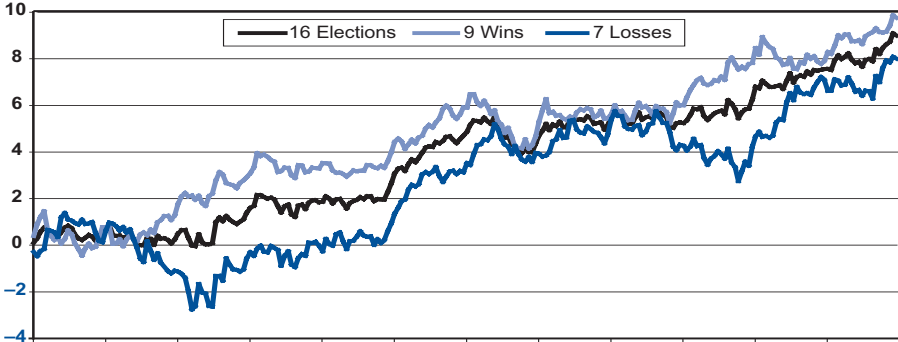
Easter

SUNDAY
23

INCUMBENT PARTY WINS & LOSSES

Since 1944 stocks tend to move up earlier when White House occupants are popular but do even better in November and December when unpopular administrations are ousted.

TREND OF S&P 500 INDEX IN ELECTION YEARS 1944-2004



Actual percent changes reveal that March, June, October and December are best when incumbents stay in power, while July is worst. February, September and October are the worst when they are removed. Ironically, November is best when incumbents are ousted and second worst when they win.

Other interesting tidbits: there were no major losses in October (1984 off fractionally) and only one in June and December when incumbent parties retained the White House. Republican wins in November resulted in total gains of 23.6% (excluding no-decision 2000). Democratic victories produced total gains of 2.6%; however, Democrats “gained” 15.6% in December, the Republicans 7.9%.

MONTHLY % CHANGES IN S&P 500 DURING ELECTION YEARS

Incumbents Win

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1944	1.5	-0.3	1.7	-1.3	4.0	5.1	-2.1	0.9	-0.3	N/C	0.4	3.5
1948	-4.0	-4.7	7.7	2.7	7.8	0.3	-5.3	0.8	-3.0	6.8	-10.8	3.1
1956	-3.6	3.5	6.9	-0.2	-6.6	3.9	5.2	-3.8	-4.5	0.5	-1.1	3.5
1964	2.7	1.0	1.5	0.6	1.1	1.6	1.8	-1.6	2.9	0.8	-0.5	0.4
1972	1.8	2.5	0.6	0.4	1.7	-2.2	0.2	3.4	-0.5	0.9	4.6	1.2
1984	-0.9	-3.9	1.3	0.5	-5.9	1.7	-1.6	10.6	-0.3	-0.01	-1.5	2.2
1988	4.0	4.2	-3.3	0.9	0.3	4.3	-0.5	-3.9	4.0	2.6	-1.9	1.5
1996	3.3	0.7	0.8	1.3	2.3	0.2	-4.6	1.9	5.4	2.6	7.3	-2.2
2004	1.7	1.2	-1.6	-1.7	1.2	1.8	-3.4	0.2	0.9	1.4	3.9	3.2
Totals	6.5	4.2	15.6	3.3	5.9	16.7	-10.3	8.5	4.6	15.6	0.4	16.4
Average	0.7	0.5	1.7	0.4	0.7	1.9	-1.1	0.9	0.5	1.7	0.04	1.8

Incumbents Lose

1952	1.6	-3.6	4.8	-4.3	2.3	4.6	1.8	-1.5	-2.0	-0.1	4.6	3.5
1960	-7.1	0.9	-1.4	-1.8	2.7	2.0	-2.5	2.6	-6.0	-0.2	4.0	4.6
1968	-4.4	-3.1	0.9	8.2	1.1	0.9	-1.8	1.1	3.9	0.7	4.8	-4.2
1976	11.8	-1.1	3.1	-1.1	-1.4	4.1	-0.8	-0.5	2.3	-2.2	-0.8	5.2
1980	5.8	-0.4	-10.2	4.1	4.7	2.7	6.5	0.6	2.5	1.6	10.2	-3.4
1992	-2.0	1.0	-2.2	2.8	0.1	-1.7	3.9	-2.4	0.9	0.2	3.0	1.0
2000	-5.1	-2.0	9.7	-3.1	-2.2	2.4	-1.6	6.1	-5.3	-0.5	-8.0*	0.4
Totals	0.6	-8.3	4.7	4.8	7.3	15.0	5.5	6.0	-3.7	-0.5	17.8	7.1
Average	0.1	-1.2	0.7	0.7	1.0	2.1	0.8	0.9	-0.5	-0.1	2.5	1.0
16 Elections	7.1	-4.1	20.3	8.1	13.2	31.7	-4.8	14.5	0.9	15.1	18.2	23.5
Average	0.4	-0.3	1.3	0.5	0.8	2.0	-0.3	0.9	0.1	1.0	1.1	1.5

*Undecided election

*Day After Easter Worst Post-Holiday, S&P Down 10 of Last 14,
Up 3 of Last 4*

MONDAY
D 33.3
S 57.1
N 61.9
24

640K ought to be enough for anybody.

— William H. Gates (Microsoft founder, 1981, Try running Microsoft Vista on less than a Gig)

*Week After Triple Witching Dow Down 14 of Last 20,
But Rallied 4.9% in 2000 and 3.1% in 2007*

TUESDAY
D 57.1
S 52.4
N 47.6
25

*Towering genius disdains a beaten path. It scorns to tread in the footsteps of any predecessor, however illustrious.
It thirsts for distinction.* — Abraham Lincoln (16th US President, 1809-1865)

March Historically Weak Later in the Month


WEDNESDAY
D 42.9
S 42.9
N 52.4
26

*Everyone wants to make the same three things: money, a name, and a difference. What creates diversity in the human race
is how we prioritize the three.* — Roy H. Williams (*The Wizard of Ads*)

THURSDAY
D 61.9
S 57.1
N 47.6
27

*The only way to even begin to manage this new world is by focusing on...nation building — helping others restructure their
economies and put in place decent non-corrupt government.* — Thomas L. Friedman (*NYTimes* Foreign Affairs columnist)

Last Trading Day of March Dow Down 10 of Last 13 With Major Losses

 FRIDAY
D 47.6
S 33.3
N 42.9
28

*In this game, the market has to keep pitching, but you don't have to swing. You can stand there with the bat on your shoulder
for six months until you get a fat pitch.* — Warren Buffett (CEO Berkshire Hathaway, investor & philanthropist, b. 1930)

SATURDAY
29

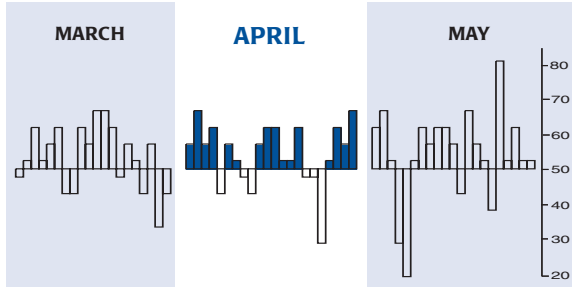
April Almanac Investor Seasonalities: see Pages 114 & 116

SUNDAY
30

APRIL ALMANAC

APRIL						
S	M	T	W	T	F	S
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

MAY						
S	M	T	W	T	F	S
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31



Market Probability Chart above is a graphic representation of the S&P 500 Recent Market Probability Calendar on page 124.

◆ April is still the best Dow month (average 1.8%) since 1950 (page 44) ◆ April 1999 first month ever to gain 1000 Dow points, 856 in 2001, knocked off its high horse in 2002 down 458, 2003 up 489 ◆ Prone to weakness after mid-month tax deadline ◆ Stocks anticipate great first quarter earnings by rising sharply before earnings are reported, rather than after ◆ Rarely a dangerous month except in big bear markets (like 2002), took the brunt of first-half declines in 2004 & 2005 ◆ “Best Six Months” of the year end with April (page 48) ◆ Since 1952 Election Year Aprils are mediocre (#4 Dow & #8 S&P), NASDAQ net loser since 1972 ◆ End of April NASDAQ strength (pages 125 & 126)

April Vital Statistics

	DJIA	S&P 500	NASDAQ	Russell 1K	Russell 2K
Rank	1	4	5	4	6
Up	36	39	23	18	18
Down	22	19	14	11	11
Avg % Change	1.8%	1.3%	1.1%	1.3%	1.2%
Election Year	0.8%	0.5%	-0.7%	0.6%	-0.3%
Best & Worst April					
	% Change	% Change	% Change	% Change	% Change
Best	1978 10.6	1978 8.5	2001 15.0	2001 8.0	2003 9.4
Worst	1970 -6.3	1970 -9.0	2000 -15.6	2002 -5.8	2000 -6.1
Best & Worst April Weeks					
Best	4/11/75 5.7	4/20/00 5.8	4/12/01 14.0	4/20/00 5.9	4/20/00 6.2
Worst	4/14/00 -7.3	4/14/00 -10.5	4/14/00 -25.3	4/14/00 -11.2	4/14/00 -16.4
Best & Worst April Days					
Best	4/5/01 4.2	4/5/01 4.4	4/5/01 8.9	4/5/01 4.6	4/18/00 5.8
Worst	4/14/00 -5.7	4/14/00 -5.8	4/14/00 -9.7	4/14/00 -6.0	4/14/00 -7.3
First Trading Day of Expiration Week: 1980-2007					
Record (#Up - #Down)	18-10	17-11	16-12	16-12	12-16
Current streak	U1	U1	U1	U1	U1
Avg % Change	0.29	0.22	0.26	0.21	0.11
Options Expiration Day: 1980-2007					
Record (#Up - #Down)	19-9	18-10	16-12	18-10	17-11
Current streak	U2	U1	U1	U1	U1
Avg % Change	0.23	0.19	-0.09	0.17	0.13
Options Expiration Week: 1980-2007					
Record (#Up - #Down)	23-5	21-7	19-9	19-9	21-7
Current streak	U2	U2	U2	U2	U2
Avg % Change	1.17	0.90	0.96	0.87	0.68
Week After Options Expiration: 1980-2007					
Record (#Up - #Down)	18-10	18-10	19-9	18-10	18-10
Current streak	U4	U1	U1	U1	U1
Avg % Change	0.33	0.24	0.45	0.24	0.72
First Trading Day Performance					
% of Time Up	56.9	60.3	40.5	55.2	41.4
Avg % Change	0.08	0.04	-0.31	-0.03	-0.32
Last Trading Day Performance					
% of Time Up	53.4	58.6	70.3	62.1	75.9
Avg % Change	0.13	0.14	0.28	0.17	0.31

Dow & S&P 1950-April 2007, NASDAQ 1971-April 2007, Russell 1K & 2K 1979-April 2007.

April “Best Month” for Dow since 1950
Day-before-Good Friday gains are nifty

MARCH/APRIL

MONDAY

D 33.3
S 42.9
N 61.9

31

Thomas Alva Edison said, "Genius is 5% inspiration and 95% perspiration!" Unfortunately, many startup "genius" entrepreneurs mistakenly switch the two percentages around, and then wonder why they can't get their projects off the ground. — Yale Hirsch

First Trading Day in April Dow Up 10 of Last 13, 6 Straight 1995-2000

TUESDAY

D 61.9
S 57.1
N 38.1

1

Any human anywhere will blossom in a hundred unexpected talents and capacities simply by being given the opportunity to do so. — Doris Lessing (British novelist, born in Persia 1919)



WEDNESDAY

D 66.7
S 66.7
N 57.1

2

Stock prices tend to discount what has been unanimously reported by the mass media.

— Louis Ehrenkrantz (Ehrenkrantz, Lyons & Ross)

*Start Looking For the Dow & S&P MACD SELL Signal (Pages 48 & 50)
Almanac Investor Subscribers Are Emailed Alert When It Triggers*

THURSDAY

D 52.4
S 57.1
N 71.4

3

Sell stocks whenever the market is 30% higher over a year ago. — Eugene D. Brody (Oppenheimer Capital)



FRIDAY

D 71.4
S 61.9
N 52.4

4

Those who cannot remember the past are condemned to repeat it.

— George Santayana (American philosopher, poet, 1863-1952)

SATURDAY

5

SUNDAY

6

THE DECEMBER LOW INDICATOR: A USEFUL PROGNOSTICATING TOOL

When the Dow closes below its December closing low in the first quarter, it is frequently an excellent warning sign. Jeffrey Saut, managing director of investment strategy at Raymond James, brought this to our attention a few years ago. The December Low Indicator was originated by Lucien Hooper, a *Forbes* columnist and Wall Street analyst back in the 1970s. Hooper dismissed the importance of January and January's first week as reliable indicators. He noted that the trend could be random or even manipulated during a holiday-shortened week. Instead, said Hooper, "Pay much more attention to the December low. If that low is violated during the first quarter of the New Year, watch out!"

Thirteen of the 27 occurrences were followed by gains for the rest of the year — and twelve full-year gains — after the low for the year was reached. For perspective we've included the January Barometer readings for the selected years. Hooper's "Watch Out" warning was absolutely correct, though. All but two of the instances since 1952 experienced further declines, as the Dow fell an additional 10.1% on average when December's low was breached in Q1.

Only three significant drops occurred (not shown) when December's low was not breached in Q1 (1974, 1981 and 1987). Both indicators were wrong only three times and six years ended flat. If the December low is not crossed, turn to our January Barometer for guidance. It has been virtually perfect, right nearly 100% of these times (view the complete results at www.stocktradersalmanac.com).

YEARS DOW FELL BELOW DECEMBER LOW IN FIRST QUARTER

Year	Previous Dec Low	Date Crossed	Crossing Price	Subseq. Low	% Change Cross-Low	Rest of Year % Change	Full Year % Change	Jan Bar
1952	262.29	2/19/52	261.37	256.35	- 1.9%	11.7%	8.4%	1.6% ²
1953	281.63	2/11/53	281.57	255.49	- 9.3	- 0.2	- 3.8	- 0.7
1956	480.72	1/9/56	479.74	462.35	- 3.6	4.1	2.3	- 3.6 ^{2,3}
1957	480.61	1/18/57	477.46	419.79	- 12.1	- 8.7	- 12.8	- 4.2
1960	661.29	1/12/60	660.43	566.05	- 14.3	- 6.7	- 9.3	- 7.1
1962	720.10	1/5/62	714.84	535.76	- 25.1	- 8.8	- 10.8	- 3.8
1966	939.53	3/1/66	938.19	744.32	- 20.7	- 16.3	- 18.9	0.5 ¹
1968	879.16	1/22/68	871.71	825.13	- 5.3	8.3	4.3	- 4.4 ^{1,2}
1969	943.75	1/6/69	936.66	769.93	- 17.8	- 14.6	- 15.2	- 0.8
1970	769.93	1/26/70	768.88	631.16	- 17.9	9.1	4.8	- 7.6 ^{2,3}
1973	1000.00	1/29/73	996.46	788.31	- 20.9	- 14.6	- 16.6	- 1.7
1977	946.64	2/7/77	946.31	800.85	- 15.4	- 12.2	- 17.3	- 5.1
1978	806.22	1/5/78	804.92	742.12	- 7.8	0.01	- 3.1	- 6.2 ³
1980	819.62	3/10/80	818.94	759.13	- 7.3	17.7	14.9	5.8 ²
1982	868.25	1/5/82	865.30	776.92	- 10.2	20.9	19.6	- 1.8 ^{1,2}
1984	1236.79	1/25/84	1231.89	1086.57	- 11.8	- 1.6	- 3.7	- 0.9 ³
1990	2687.93	1/15/90	2669.37	2365.10	- 11.4	- 1.3	- 4.3	- 6.9
1991	2565.59	1/7/91	2522.77	2470.30	- 2.1	25.6	20.3	4.2 ²
1993	3255.18	1/8/93	3251.67	3241.95	- 0.3	15.5	13.7	0.7 ²
1994	3697.08	3/30/94	3626.75	3593.35	- 0.9	5.7	2.1	3.3 ^{2,3}
1996	5059.32	1/10/96	5032.94	5032.94	NC	28.1	26.0	3.3 ²
1998	7660.13	1/9/98	7580.42	7539.07	- 0.5	21.1	16.1	1.0 ²
2000	10998.39	1/4/00	10997.93	9796.03	- 10.9	- 1.9	- 6.2	- 5.1
2001	10318.93	3/12/01	10208.25	8235.81	- 19.3	- 1.8	- 7.1	3.5 ¹
2002	9763.96	1/16/02	9712.27	7286.27	- 25.0	- 14.1	- 16.8	- 1.6
2003	8303.78	1/24/03	8131.01	7524.06	- 7.5	28.6	25.3	- 2.7 ^{1,2}
2005	10440.58	1/21/05	10392.99	10012.36	- 3.7	3.1	- 0.6	- 2.5 ³
2006	10717.50	1/20/06	10667.39	10667.39	NC	16.8	16.3	2.5 ²
2007	12194.13	3/2/07	12114.10	12050.41	- 0.5	<i>At Presstime - not in average</i>		1.4
			Average Drop		- 10.1%			

¹ January Barometer wrong ² December Low Indicator wrong ³ Year Flat

APRIL

MONDAY

D 38.1
S 42.9
N 42.9

7

Some men see things as they are and say "why?" I dream things that never were and say "why not?"
— George Bernard Shaw (Irish dramatist, 1856-1950)

April is the Best Month for the Dow, Average 1.8% Since 1950

TUESDAY

D 52.4
S 57.1
N 57.1

8

I always keep these seasonal patterns in the back of my mind. My antennae start to purr at certain times of the year.
— Kenneth Ward (VP Hayden Stone, General Technical Survey, 1899-1976)

WEDNESDAY

D 52.4
S 52.4
N 52.4

9

Fight until death over taxes? Oh, no. Women, country, God, things like that. Taxes? No.
— Daniel Patrick Moynihan (US Senator New York 1977-2001, "Meet The Press" 5/23/1993, 1927-2003)

THURSDAY

D 61.9
S 47.6
N 57.1

10

Whenever you see a successful business, someone once made a courageous decision.
— Peter Drucker (Austria-born pioneer management theorist, 1909-2005)

FRIDAY

D 52.4
S 42.9
N 47.6

11

*The ability to foretell what is going to happen tomorrow, next week, next month, and next year.
And to have the ability afterwards to explain why it didn't happen.*
— Winston Churchill (British statesman, 1874-1965, when asked what qualities a politician required)

SATURDAY

12

SUNDAY

13

DOWN JANUARYS: A REMARKABLE RECORD

In the first third of the 20th century there was no correlation between January markets and the year as a whole (page 24). Then in 1972 we discovered that the 1933 “Lame Duck” Amendment to the Constitution changed the political calendar and the January Barometer was born — its record has been quite accurate (page 16).

Down Januarys are harbingers of trouble ahead, in the economic, political, or military arenas. Eisenhower’s heart attack in 1955 cast doubt on whether he could run in 1956 — a flat year. Two other election years with down Januarys were also flat (1984 & 1982). Twelve bear markets began and five continued into second years with poor Januarys. 1968 started down as we were mired in Vietnam, but Johnson’s “bombing halt” changed the climate. January 2003 closed down in the face of imminent military action in Iraq, and the market triple-bottomed in March just before U.S. led forces began their blitz to Baghdad. The fall of Baghdad combined with Pre-Election and recovery forces to fuel 2003 into a banner year. 2005 was flat, registering the narrowest Dow trading range on record.

Unfortunately, bull and bear markets do not start conveniently at the beginnings and ends of months or years. Though some years ended higher, **every down January since 1950 was followed by a new or continuing bear market or a flat year.** Excluding 1956, **down Januarys were followed by substantial declines averaging minus 13.3%**, providing excellent buying opportunities later in most years.

FROM DOWN JANUARY S&P CLOSES TO LOW NEXT 11 MONTHS

Year	January Close	% Change	11-Month Low	Date of Low	Jan Close to Low %	% Feb to Dec	Year % Change	
1953	26.38	-0.7%	22.71	14-Sep	-13.9%	-6.0%	-6.6%	bear
1956	43.82	-3.6	44.10	28-May	0.9	6.5	2.6	FLAT
1957	44.72	-4.2	38.98	22-Oct	-12.8	-10.6	-14.3	bear
1960	55.61	-7.1	52.30	25-Oct	-6.0	4.5	-3.0	bear
1962	68.84	-3.8	52.32	26-Jun	-24.0	-8.3	-11.8	bear
1968	92.24	-4.4	87.72	5-Mar	-4.9	12.6	7.7	Cont. bear
1969	103.01	-0.8	89.20	17-Dec	-13.4	-10.6	-11.4	bear
1970	85.02	-7.6	69.20	26-May	-18.6	8.4	0.1	Cont. bear
1973	116.03	-1.7	92.16	5-Dec	-20.6	-15.9	-17.4	bear
1974	96.57	-1.0	62.28	3-Oct	-35.5	-29.0	-29.7	bear
1977	102.03	-5.1	90.71	2-Nov	-11.1	-6.8	-11.5	bear
1978	89.25	-6.2	86.90	6-Mar	-2.6	7.7	1.1	Cont. bear
1981	129.55	-4.6	112.77	25-Sep	-13.0	-5.4	-9.7	bear
1982	120.40	-1.8	102.42	12-Aug	-14.9	16.8	14.8	Cont. bear
1984	163.42	-0.9	147.82	24-Jul	-9.5	2.3	1.4	FLAT
1990	329.07	-6.9	295.46	11-Oct	-10.2	0.4	-6.6	bear
1992	408.79	-2.0	394.50	8-Apr	-3.5	6.6	4.5	FLAT
2000	1394.46	-5.1	1264.74	20-Dec	-9.3	-5.3	-10.1	bear
2002	1130.20	-1.6	776.76	9-Oct	-31.3	-22.2	-23.4	bear
2003	855.70	-2.7	800.73	11-Mar	-6.4	29.9	26.4	Cont. bear
2005	1181.27	-2.5	1137.50	20-Apr	-3.7	5.7	3.0	FLAT
Totals					-264.3%	-18.7%	-94.0%	
Average					-12.6%	-0.9%	-4.5%	

Monday Before April Expiration Dow Up 3 of Last 6, Up 6 Straight 1996-2001

MONDAY

D 71.4
S 57.1
N 57.1

14

Look for an impending crash in the economy when the best seller lists are filled with books on business strategies and quick-fix management ideas. — Peter Drucker (Austria-born pioneer management theorist, 1909-2005)

Income Tax Deadline



TUESDAY

D 71.4
S 61.9
N 47.6

15

The greatest lie ever told: Build a better mousetrap and the world will beat a path to your door. — Yale Hirsch

April Prone to Weakness After Tax Deadline



WEDNESDAY

D 52.4
S 61.9
N 61.9

16

During the first period of a man's life the greatest danger is not to take the risk.
— Soren Kierkegaard (Danish philosopher, 1813-1855)

THURSDAY

D 47.6
S 52.4
N 52.4

17

The world hates change, but it is the only thing that has brought progress.
— Charles Kettering (Inventor of electric ignition, founded Delco in 1909, 1876-1958)

April Expiration Day Dow Up 9 of Last 11, But a Big Loser in 2001 and 2005



FRIDAY

D 52.4
S 52.4
N 47.6

18

First-rate people hire first-rate people; second-rate people hire third-rate people. — Leo Rosten (American author, 1908-1997)

SATURDAY

19

Passover

SUNDAY

20

TOP PERFORMING MONTHS PAST 57 1/3 YEARS STANDARD & POOR'S 500 & DOW JONES INDUSTRIALS

Monthly performance of the S&P and the Dow are ranked over the past 57 1/3 years. NASDAQ monthly performance is shown on page 56.

January, April, November and December still hold the top four positions in both the Dow and S&P. This led to our discovery in 1986 of the market's best-kept secret. You can divide the year into two sections and have practically all the gains in one six-month section and very little in the other. September has been the worst month on both lists. (See "Best Six Months" on page 48.)

MONTHLY % CHANGES (JANUARY 1950 – APRIL 2007)

Standard & Poor's 500					Dow Jones Industrials				
Month	Total % Change	Avg. % Change	# Up	# Down	Month	Total % Change	Avg. % Change	# Up	# Down
Jan	81.3%	1.4%	37	21	Jan	77.2%	1.3%	39	19
Feb	-3.1	-0.1	31	27	Feb	9.6	0.2	33	25
Mar	57.4	1.0	38	20	Mar	52.5	0.9	37	21
Apr	77.4	1.3	39	19	Apr	107.0	1.8	36	22
May	14.0	0.2	32	25	May	3.8	0.1	29	28
Jun	13.1	0.2	31	26	Jun	-5.7	-0.1	28	29
Jul	49.8	0.9	31	26	Jul	59.9	1.1	35	22
Aug	2.1	0.04	31	26	Aug	-2.2	-0.04	32	25
Sep*	-35.1	-0.6	24	32	Sep	-55.1	-1.0	21	36
Oct	52.1	0.9	34	23	Oct	33.8	0.6	33	24
Nov	100.2	1.8	39	18	Nov	96.3	1.7	39	18
Dec	96.7	1.7	43	14	Dec	99.9	1.8	41	16
% Rank					% Rank				
Nov	100.2%	1.8%	39	18	Apr	107.0%	1.8%	36	22
Dec	96.7	1.7	43	14	Dec	99.9	1.8	41	16
Jan	81.3	1.4	37	21	Nov	96.3	1.7	39	18
Apr	77.4	1.3	39	19	Jan	77.2	1.3	39	19
Mar	57.4	1.0	38	20	Jul	59.9	1.1	35	22
Oct	52.1	0.9	34	23	Mar	52.5	0.9	37	21
Jul	49.8	0.9	31	26	Oct	33.8	0.6	33	24
May	14.0	0.2	32	25	Feb	9.6	0.2	33	25
Jun	13.1	0.2	31	26	May	3.8	0.1	29	28
Aug	2.1	0.04	31	26	Aug	-2.2	-0.04	32	25
Feb	-3.1	-0.1	31	27	Jun	-5.7	-0.1	28	29
Sep*	-35.1	-0.6	24	32	Sep	-55.1	-1.0	21	36
Totals	505.9%	8.7%			Totals	477.0%	8.4%		
Average		0.73%			Average		0.70%		

*No change 1979

Anticipators, shifts in cultural behavior and faster information flow have altered seasonality in recent years. Here is how the months ranked over the past 15 1/3 years (184 months) using total percentage gains on the S&P 500: November 36.5, October 35.4, April 24.4, December 20.5, January 16.1, May 14.6, March 9.7, June 7.3, July 0.3, September -6.3, February -6.3, August -11.1.

During the last 15 1/3 years front-runners of our Best Six Months may have helped push October into the number-two spot. May has leapfrogged March and July into the number-six spot. January has declined in four of the last eight years. October 1987, down 21.8% (Dow -23.2%), is no longer in the most recent 15 years and we've seen some sizeable turnarounds in "bear killing" October the last nine years. Big Dow losses in the period were: August 1998 (SE Asia crisis), off 15.1%; September 2001 (9/11 attack) off 11.1%; September 2002 (Iraq war drums) off 12.4%.

APRIL



MONDAY

D 57.1
S 61.9
N 52.4

21

The punishment of wise men who refuse to take part in the affairs of government is to live under the government of unwise men.
— Plato (Greek philosopher, 427-347 BC)

TUESDAY

D 42.9
S 47.6
N 42.9

22

Get inside information from the president and you will probably lose half your money. If you get it from the chairman of the board, you will lose all your money. — Jim Rogers (Financier, b. 1942)

April 1999 First Month Ever to Gain 1000 Dow Points

WEDNESDAY

D 52.4
S 47.6
N 47.6

23

Don't fritter away your time. Create, act, take a place wherever you are and be somebody.
— Theodore Roosevelt (26th US President, 1858-1919)



THURSDAY

D 33.3
S 28.6
N 42.9

24

What is conservatism? Is it not adherence to the old and tried, against the new and untried?
— Abraham Lincoln (16th US President, 1809-1865)

FRIDAY

D 52.4
S 52.4
N 47.6

25

Why is it right-wing [conservatives] always stand shoulder to shoulder in solidarity, while liberals always fall out among themselves? — Yevgeny Yevtushenko (Russian poet, Babi Yar, quoted in London *Observer* December 15, 1991, b. 1933)

SATURDAY

26

May Almanac Investor Seasonalities: see Pages 114 & 116

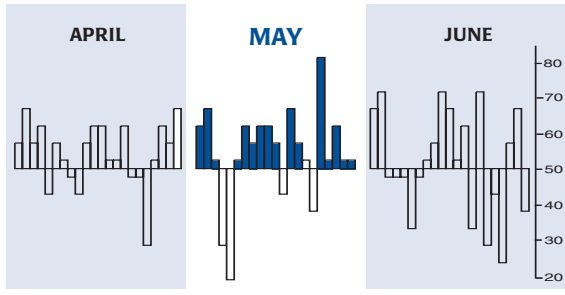
SUNDAY

27

MAY ALMANAC

MAY						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

JUNE						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					



Market Probability Chart above is a graphic representation of the S&P 500 Recent Market Probability Calendar on page 124.

- ◆ “May/June disaster area” between 1965 and 1984 with S&P down 15 out of 20 Mays
- ◆ Between 1985 and 1997 May was the best month with 13 straight gains, gaining 3.3% per year on average, up 4, down 5 since
- ◆ Worst six months of the year begin with May (page 48)
- ◆ A \$10,000 investment compounded to \$578,413 for November-April in 57 years compared to a \$341 gain for May-October
- ◆ Memorial Day week record: up 12 years in a row (1984-1995), down seven of the last eleven years
- ◆ Since 1952 Election Year Dow Mays rank last

May Vital Statistics

	DJIA	S&P 500	NASDAQ	Russell 1K	Russell 2K
Rank	9	8	6	5	4
Up	29	32	21	19	18
Down	28	25	15	9	10
Avg % Change	0.1%	0.2%	1.0%	1.3%	1.7%
Election Year	-0.3%	0.1%	-0.6%	0.1%	0.1%
Best & Worst May					
	% Change	% Change	% Change	% Change	% Change
Best	1990 8.3	1990 9.2	1997 11.1	1990 8.9	1997 11.0
Worst	1962 -7.8	1962 -8.6	2000 -11.9	1984 -5.9	2000 -5.9
Best & Worst May Weeks					
Best	5/29/70 5.8	5/2/97 6.2	5/17/02 8.8	5/2/97 6.4	5/2/97 5.4
Worst	5/25/62 -6.0	5/25/62 -6.8	5/12/00 -7.5	5/2/86 -2.9	5/12/06 -5.0
Best & Worst May Days					
Best	5/27/70 5.1	5/27/70 5.0	5/30/00 7.9	5/8/02 3.7	5/30/00 4.2
Worst	5/28/62 -5.7	5/28/62 -6.7	5/23/00 -5.9	5/19/03 -2.5	5/10/00 -3.4
First Trading Day of Expiration Week: 1980-2006					
Record (#Up - #Down)	18-9	19-8	15-12	18-9	14-13
Current streak	U2	U2	D1	U2	D1
Avg % Change	0.29	0.30	0.19	0.26	0.04
Options Expiration Day: 1980-2006					
Record (#Up - #Down)	12-15	14-13	13-14	14-13	13-14
Current streak	U1	U1	U3	U1	U1
Avg % Change	-0.17	-0.19	-0.19	-0.17	-0.06
Options Expiration Week: 1980-2006					
Record (#Up - #Down)	15-12	14-13	15-12	13-14	16-11
Current streak	D1	D1	D1	D1	D1
Avg % Change	0.34	0.33	0.54	0.35	0.37
Week After Options Expiration: 1980-2006					
Record (#Up - #Down)	16-11	17-10	19-8	17-10	19-8
Current streak	U3	U3	U3	U3	U4
Avg % Change	0.11	0.20	0.13	0.20	0.18
First Trading Day Performance					
% of Time Up	56.1	56.1	58.3	50.0	64.3
Avg % Change	0.17	0.20	0.26	0.20	0.30
Last Trading Day Performance					
% of Time Up	64.9	63.2	72.2	57.1	71.4
Avg % Change	0.24	0.32	0.22	0.30	0.39

Dow & S&P 1950-April 2007, NASDAQ 1971-April 2007, Russell 1K & 2K 1979-April 2007.

APRIL/MAY


 MONDAY
D 61.9
S 61.9
N 61.9 **28**

If the models are telling you to sell, sell, sell, but only buyers are out there, don't be a jerk. Buy!
— William Silber, Ph.D. (N.Y.U., *Newsweek*, 1986)

TUESDAY
D 57.1
S 57.1
N 61.9 **29**


Edison has done more toward abolishing poverty than all the reformers and statesmen.
— Henry Ford (Founder Ford Motors, father of moving assembly line, 1863-1947)

End of "Best Six Months" of the Year (Pages 44, 48, 50 & 147)


 WEDNESDAY
D 52.4
S 66.7
N 76.2 **30**

A committee is a cul de sac down which ideas are lured and then quietly strangled.
— Sir Barnett Cocks (Member of Parliament, 1907-1989)

First Trading Day in May Dow Up Solidly 7 of Last 9

 THURSDAY
D 61.9
S 61.9
N 66.7 **1**

Every man who knows how to read has it in his power to magnify himself, to multiply the ways in which he exists, to make his life full, significant and interesting. — Aldous Huxley (English author, *Brave New World*, 1894-1963)

 FRIDAY
D 66.7
S 66.7
N 76.2 **2**

Bill [Gates] isn't afraid of taking long-term chances. He also understands that you have to try everything because the real secret to innovation is failing fast. — Gary Starkweather (Inventor of laser printer in 1969 at Xerox, *Fortune*, July 8, 2002)

SATURDAY
3

SUNDAY
4

"BEST SIX MONTHS" STILL AN EYE-POPPING STRATEGY

Our Best Six Months Switching Strategy consistently delivers. Investing in the Dow Jones Industrial Average between November 1st and April 30th each year and then switching into fixed income for the other six months has produced reliable returns with reduced risk since 1950.

The chart on page 147 shows November, December, January, March and April to be the top months since 1950. Add February, and an excellent strategy is born! These six consecutive months gained 12673.97 Dow points in 57 years, while the remaining May through October months gained 174.61 points. The S&P gained 1261.82 points in the same best six months versus 202.48 points in the worst six.

Percentage changes are shown along with a compounding \$10,000 investment.

The November-April \$578,413 gain overshadows May-October's \$341. (S&P results were \$419,782 to \$9,138.) Just two November-April losses were double-digit: April 1970 (Cambodian invasion) and 1973 (OPEC oil embargo). Similarly, Iraq muted the Best 6 and inflated the Worst 6 in 2003.

When we discovered this strategy in 1986, November-April outperformed May-October by \$88,145 to minus \$1,520. Results improved substantially these past 21 years, \$490,268 to \$1,861. A simple timing indicator triples results (page 50).

SIX-MONTH SWITCHING STRATEGY

	DJIA % Change May 1-Oct 31	Investing \$10,000	DJIA % Change Nov 1-Apr 30	Investing \$10,000
1950	5.0%	\$10,500	15.2%	\$11,520
1951	1.2	10,626	- 1.8	11,313
1952	4.5	11,104	2.1	11,551
1953	0.4	11,148	15.8	13,376
1954	10.3	12,296	20.9	16,172
1955	6.9	13,144	13.5	18,355
1956	- 7.0	12,224	3.0	18,906
1957	-10.8	10,904	3.4	19,549
1958	19.2	12,998	14.8	22,442
1959	3.7	13,479	- 6.9	20,894
1960	- 3.5	13,007	16.9	24,425
1961	3.7	13,488	- 5.5	23,082
1962	-11.4	11,950	21.7	28,091
1963	5.2	12,571	7.4	30,170
1964	7.7	13,539	5.6	31,860
1965	4.2	14,108	- 2.8	30,968
1966	-13.6	12,189	11.1	34,405
1967	- 1.9	11,957	3.7	35,678
1968	4.4	12,483	- 0.2	35,607
1969	- 9.9	11,247	-14.0	30,622
1970	2.7	11,551	24.6	38,155
1971	-10.9	10,292	13.7	43,382
1972	0.1	10,302	- 3.6	41,820
1973	3.8	10,693	-12.5	36,593
1974	-20.5	8,501	23.4	45,156
1975	1.8	8,654	19.2	53,826
1976	- 3.2	8,377	- 3.9	51,727
1977	-11.7	7,397	2.3	52,917
1978	- 5.4	6,998	7.9	57,097
1979	- 4.6	6,676	0.2	57,211
1980	13.1	7,551	7.9	61,731
1981	-14.6	6,449	- 0.5	61,422
1982	16.9	7,539	23.6	75,918
1983	- 0.1	7,531	- 4.4	72,578
1984	3.1	7,764	4.2	75,626
1985	9.2	8,478	29.8	98,163
1986	5.3	8,927	21.8	119,563
1987	-12.8	7,784	1.9	121,835
1988	5.7	8,228	12.6	137,186
1989	9.4	9,001	0.4	137,735
1990	- 8.1	8,272	18.2	162,803
1991	6.3	8,793	9.4	178,106
1992	- 4.0	8,441	6.2	189,149
1993	7.4	9,066	0.03	189,206
1994	6.2	9,628	10.6	209,262
1995	10.0	10,591	17.1	245,046
1996	8.3	11,470	16.2	284,743
1997	6.2	12,181	21.8	346,817
1998	- 5.2	11,548	25.6	435,602
1999	- 0.5	11,490	0.04	435,776
2000	2.2	11,743	- 2.2	426,189
2001	-15.5	9,923	9.6	467,103
2002	-15.6	8,375	1.0	471,774
2003	15.6	9,682	4.3	492,060
2004	- 1.9	9,498	1.6	499,933
2005	2.4	9,728	8.9	544,323
2006	6.3	10,341	8.1	588,413
Average	0.5%		7.9%	
# Up	34		45	
# Down	23		12	
57-Year Gain		\$341		\$578,413

MAY

MONDAY

D 42.9
S 52.4
N 71.4

5

A bank is a place where they lend you an umbrella in fair weather and ask for it back again when it begins to rain.
— Robert Frost (American poet, 1874-1963)



TUESDAY

D 38.1
S 28.6
N 47.6

6

*Q. What kind of grad students do you take? A. I never take a straight-A student.
A real scientist tends to be critical, and somewhere along the line, they had to rebel against their teachers.*
— Lynn Margulis, (U. Mass science professor, *The Scientist*, 6/30/03)



WEDNESDAY

D 28.6
S 19.0
N 42.9

7

There's nothing wrong with cash. It gives you time to think. — Robert Prechter, Jr. (*Elliott Wave Theorist*)

THURSDAY

D 61.9
S 52.4
N 66.7

8

The higher a people's intelligence and moral strength, the lower will be the prevailing rate of interest.
— Eugen von Bohm-Bawerk (Austrian economist, *Capital and Interest*, 1851-1914)

Friday Before Mother's Day Dow Up 8 of Last 12



FRIDAY

D 66.7
S 61.9
N 47.6

9

Most people have no idea of the giant capacity we can immediately command when we focus all of our resources on mastering a single area of our lives. — Anthony Robbins (Motivator, advisor, consultant, author, entrepreneur, philanthropist, b. 1960)

SATURDAY

10

Mother's Day

SUNDAY

11

MACD-TIMING TRIPLES “BEST SIX MONTHS” RESULTS

Using the simple MACD (Moving Average Convergence Divergence) indicator developed by our friend Gerald Appel to better time entries and exits into and out of the Best Six Months period nearly triples the results. Sy Harding’s *Riding the Bear* dubbed trading our Best Six Months Switching Strategy (page 48) with MACD triggers the “best mechanical system ever.”

Our *Almanac Investor Newsletter* and *Platform* implements this system with quite a degree of success. Starting October 1 we look to catch the market’s first hint of an uptrend after the summer doldrums, and beginning April 1 we prepare to exit these seasonal positions as soon as the market falters.

In up-trending markets MACD signals get you in earlier and keep you in longer. But if the market is trending down, entries are delayed until the market turns up and exit points can come a month earlier. Thus, our “Best Six Months” could be lengthened or shortened a month or so.

The results are astounding applying the simple MACD signals. Instead of \$10,000 gaining \$578,413 over the 57 recent years when invested only during the Best Six Months (page 48), the gain nearly tripled to \$1,772,490. The \$341 gain during the worst six months expanded to a loss of \$6,488.

Impressive results for being invested during only 6.4 months of the year on average! For the rest of the year you could park in a money market fund, purchase index puts or bear funds, or if a long-term holder, you could write options on your positions (sell call options).

Updated signals are emailed to our monthly newsletter subscribers as soon as they are triggered. For further information on how the MACD indicator is calculated, dates when signals were given visit www.stocktradersalmanac.com.

SIX-MONTH SWITCHING STRATEGY+TIMING

	DJIA		DJIA	
	% Change	Investing	% Change	Investing
	May 1-Oct 31*	\$10,000	Nov 1-Apr 30*	\$10,000
1950	7.3%	\$10,730	13.3%	\$11,330
1951	0.1	10,741	1.9	11,545
1952	1.4	10,891	2.1	11,787
1953	0.2	10,913	17.1	13,803
1954	13.5	12,386	16.3	16,053
1955	7.7	13,340	13.1	18,156
1956	- 6.8	12,433	2.8	18,664
1957	-12.3	10,904	4.9	19,579
1958	17.3	12,790	16.7	22,849
1959	1.6	12,995	- 3.1	22,141
1960	- 4.9	12,358	16.9	25,883
1961	2.9	12,716	- 1.5	25,495
1962	-15.3	10,770	22.4	31,206
1963	4.3	11,233	9.6	34,202
1964	6.7	11,986	6.2	36,323
1965	2.6	12,298	-2.5	35,415
1966	-16.4	10,281	14.3	40,479
1967	- 2.1	10,065	5.5	42,705
1968	3.4	10,407	0.2	42,790
1969	-11.9	9,169	- 6.7	39,923
1970	- 1.4	9,041	20.8	48,227
1971	-11.0	8,046	15.4	55,654
1972	- 0.6	7,998	- 1.4	54,875
1973	-11.0	7,118	0.1	54,930
1974	-22.4	5,524	28.2	70,420
1975	0.1	5,530	18.5	83,448
1976	- 3.4	5,342	- 3.0	80,945
1977	-11.4	4,733	0.5	81,350
1978	- 4.5	4,520	9.3	88,916
1979	- 5.3	4,280	7.0	95,140
1980	9.3	4,678	4.7	99,612
1981	-14.6	3,995	0.4	100,010
1982	15.5	4,614	23.5	123,512
1983	2.5	4,729	- 7.3	114,496
1984	3.3	4,885	3.9	118,961
1985	7.0	5,227	38.1	164,285
1986	- 2.8	5,081	28.2	210,613
1987	-14.9	4,324	3.0	216,931
1988	6.1	4,588	11.8	242,529
1989	9.8	5,038	3.3	250,532
1990	- 6.7	4,700	15.8	290,116
1991	4.8	4,926	11.3	322,899
1992	- 6.2	4,621	6.6	344,210
1993	5.5	4,875	5.6	363,486
1994	3.7	5,055	13.1	411,103
1995	7.2	5,419	16.7	479,757
1996	9.2	5,918	21.9	584,824
1997	3.6	6,131	18.5	693,016
1998	-12.4	5,371	39.9	969,529
1999	- 6.4	5,027	5.1	1,018,975
2000	- 6.0	4,725	5.4	1,074,000
2001	-17.3	3,908	15.8	1,243,692
2002	-25.2	2,923	6.0	1,318,314
2003	16.4	3,402	7.8	1,421,142
2004	- 0.9	3,371	1.8	1,446,723
2005	- 0.5	3,354	7.7	1,558,121
2006	4.7	3,512	14.4	1,782,490
Average	- 1.3%		10.0%	
# Up	29		50	
# Down	28		7	
57-Year Gain (Loss)		(\$6,488)		\$1,722,490

*MACD generated entry and exit points (earlier or later) can lengthen or shorten six-month periods

MAY


Monday Before May Expiration Dow Up 17 of Last 19
Monday After Mother's Day Dow Up 10 of Last 12

MONDAY
D 61.9
S 57.1
N 38.1
12

*Individualism, private property, the law of accumulation of wealth and the law of competition...
are the highest result of human experience, the soil in which, so far, has produced the best fruit.*
— Andrew Carnegie (Scottish-born US industrialist, philanthropist, *The Gospel Of Wealth*, 1835-1919)

 TUESDAY
D 61.9
S 61.9
N 57.1
13

The difference between life and the movies is that a script has to make sense, and life doesn't.
— Joseph L. Mankiewicz (Film director, writer, producer, 1909-1993)

 WEDNESDAY
D 57.1
S 61.9
N 57.1
14

The task of leadership is not to put greatness into humanity, but to elicit it, for the greatness is already there.
— Sir John Buchan (Scottish author, Governor General of Canada 1935-1940, 1875-1940)

THURSDAY
D 57.1
S 57.1
N 57.1
15

If you can ever buy with a P/E equivalent to growth, that's a good starting point.
— Alan Lowenstein (co-portfolio manager, John Hancock Technology Fund, *TheStreet.com* 3/12/2001)

May Day Expiration Up 7 Down 7 Since 1993

 FRIDAY
D 42.9
S 42.9
N 52.4
16

Make it idiot-proof and someone will make a better idiot. — Bumper sticker

SATURDAY
17

SUNDAY
18

ONLY ONE LOSS LAST 7 MONTHS OF ELECTION YEARS

Election years are traditionally up years. Incumbent administrations shamelessly attempt to massage the economy so voters will keep them in power. But, sometimes overpowering events occur and the market crumbles, usually resulting in a change of political control. The Republicans won in 1920 as the post-war economy contracted and President Wilson ailed. The Democrats came back during the 1932 Depression when the Dow hit its lowest level of the 20th century. A world at war and the fall of France jolted the market in 1940 but Roosevelt won an unprecedented third term. Cold War confrontations and Truman's historic upset of Dewey held markets down through the end of 1948.

Since 1948, investors have barely been bruised during election years, except for a brief span early in the year — until 2000. An undecided election plagued the country with uncertainty hammering stock prices in November and keeping them down until December 12 when the US Supreme Court prevented the Democrat's controversial bid for a manual recount of the challenged Florida vote clearing the way for George W. Bush to be elected President.

The table below presents a very positive picture for the last seven or eight months of election years.

- Since 1952 January through April losses occurred in seven of fourteen election years. Incumbent parties were ousted on five of these seven losses. Ironically, bear markets commenced following four of seven gainers in 1956, 1968, 1973 and 1976.
- Comparing month-end June with month-end April reveals gains in 1952, 1960, 1968, 1988 and 2000 for the sixty-day period, when no sitting President ran for reelection.
- Of the fourteen Julys since 1952, seven were losers (1960, 1968, 1976, 1984, 1988, 1996 and 2000). Five were years when, at convention time, no strong incumbent was running for reelection. Note that April through July periods had only four losers: 1972 by a small margin, 1984 as the market was turning around, 1996, and 2000 as the bubble began to work off its excesses.
- For a longer perspective, we extended the table to December. Just two losing eight-month periods in an election year are revealed and only one loss in the last seven months of all these years.

S&P 500 DURING ELECTION YEARS

Election Year	% Change		% Change						
	First 4 Months	April	May	June	July	Dec	Last 8 Months	Last 7 Months	
1952*	-1.9%	23.32	23.86	24.96	25.40	26.57	13.9%	11.4%	
1956	6.4	48.38	45.20	46.97	49.39	46.67	-3.5	3.3	
1960*	-9.2	54.37	55.83	56.92	55.51	58.11	6.9	4.1	
1964	5.9	79.46	80.37	81.69	83.18	84.75	6.7	5.4	
1968*	1.2	97.59	98.68	99.58	97.74	103.86	6.4	5.2	
1972	5.5	107.67	109.53	107.14	107.39	118.05	9.6	7.8	
1976*	12.7	101.64	100.18	104.28	103.44	107.46	5.7	7.3	
1980*	-1.5	106.29	111.24	114.24	121.67	135.76	27.7	22.0	
1984	-3.0	160.05	150.55	153.18	150.66	167.24	4.5	11.1	
1988	5.8	261.33	262.16	273.50	272.02	277.72	6.3	5.9	
1992*	-0.5	414.95	415.35	408.14	424.21	435.71	5.0	4.9	
1996	6.2	654.17	669.12	670.63	639.95	740.74	13.2	10.7	
2000**	-1.1	1452.43	1420.60	1454.60	1430.83	1320.28	-9.1	-7.1	
2004	-0.4	1107.30	1120.68	1140.84	1101.72	1211.92	9.4	8.1	
Totals	26.1%						102.7%	100.1%	
Average	1.9%						7.3%	7.2%	

* Incumbents ousted ** Incumbent ousted & undecided election

Down months are bold

MAY

 MONDAY
D 57.1
S 66.7
N 66.7 **19**

Governments last as long as the under-taxed can defend themselves against the over-taxed.
— Bernard Berenson (American art critic, 1865-1959)

TUESDAY
D 57.1
S 57.1
N 47.6 **20**

If we did all the things we are capable of doing, we would literally astound ourselves.
— Thomas Alva Edison (American inventor, 1093 patents, 1847-1931)

WEDNESDAY
D 47.6
S 52.4
N 52.4 **21**

If each of us hires people who are smaller than we are, we shall become a company of dwarfs. But if each of us hires people who are bigger than we are, we shall become a company of giants. — David Ogilvy (Advertiser, Ogilvy on Advertising, 1911-1999)

**1985-1997 May was Best S&P Month Gaining 3.3% on Average,
Up 13 Straight, Last Year Broke a 3-Year Bull Run**

 THURSDAY
D 38.1
S 38.1
N 47.6 **22**

The best minds are not in government. If any were, business would hire them away.
— Ronald Reagan (40th US President, 1911-2004)

Friday Before Memorial Day Tends to be Lackluster with Light Trading

 FRIDAY
D 71.4
S 81.0
N 71.4 **23**

If you don't keep [your employees] happy, they're not going to keep the [customers] happy.
— David Longest (Red Lobster VP, NY Times 4/23/89)

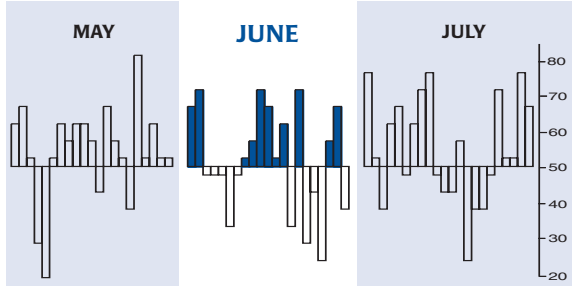
SATURDAY
24

SUNDAY
25

JUNE ALMANAC

JUNE						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

JULY						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		



Market Probability Chart above is a graphic representation of the S&P 500 Recent Market Probability Calendar on page 124.

- ◆ The “summer rally” in most years is the weakest rally of all four seasons (page 70)
- ◆ Week after June Triple-Witching Day Dow down 15 of last 17 (page 76)
- ◆ RECENT RECORD: S&P 9 up, 3 down, average gain 1.0%, ranks seventh
- ◆ Much stronger for NASDAQ, average gain 2.9% last 12 years
- ◆ Watch out for end-of-quarter “portfolio pumping” on last day of June, Dow down 13 of last 19, but NASDAQ up 14 of last 19
- ◆ Since 1952 Election Year Junes #2 on S&P, average 1.9% and #3 on Dow, average 1.4%, #3 on NASDAQ since 1972, average 2.9%
- ◆ June ends NASDAQ’s Best Eight Months
- ◆ NASDAQ’S Mid-Year Rally begins the third to last trading day of June (page 60)

June Vital Statistics

	DJIA	S&P 500	NASDAQ	Russell 1K	Russell 2K
Rank	11	9	4	7	7
Up	28	31	22	18	19
Down	29	26	14	10	9
Avg % Change	-0.1%	0.2%	1.2%	0.8%	1.1%
Election Year	1.4%	1.9%	2.9%	1.8%	2.5%
Best & Worst June					
	% Change	% Change	% Change	% Change	% Change
Best	1955 6.2	1955 8.2	2000 16.6	1999 5.1	2000 8.6
Worst	1962 -8.5	1962 -8.2	2002 -9.4	2002 -7.5	1991 -6.0
Best & Worst June Weeks					
Best	6/7/74 6.4	6/2/00 7.2	6/2/00 19.0	6/2/00 8.0	6/2/00 12.2
Worst	6/30/50 -6.8	6/30/50 -7.6	6/15/01 -8.4	6/15/01 -4.2	6/9/06 -4.9
Best & Worst June Days					
Best	6/28/62 3.8	6/28/62 3.4	6/2/00 6.4	6/17/02 2.8	6/2/00 4.2
Worst	6/26/50 -4.7	6/26/50 -5.4	6/14/01 -3.7	6/3/02 -2.4	6/5/06 -3.2
First Trading Day of Expiration Week: 1980-2006					
Record (#Up - #Down)	15-12	16-11	12-15	15-12	10-17
Current streak	D1	D1	D1	D1	D1
Avg % Change	0.11	0.003	-0.23	-0.02	-0.30
Options Expiration Day: 1980-2006					
Record (#Up - #Down)	16-11	16-11	15-12	16-11	14-13
Current streak	D1	D1	D1	D1	D1
Avg % Change	-0.06	0.03	-0.03	-0.02	-0.06
Options Expiration Week: 1980-2006					
Record (#Up - #Down)	15-12	13-14	11-16	12-15	11-16
Current streak	U4	D1	D1	D1	D1
Avg % Change	-0.04	-0.09	-0.03	-0.16	-0.41
Week After Options Expiration: 1980-2006					
Record (#Up - #Down)	10-17	16-11	16-11	16-11	13-14
Current streak	D8	D4	D2	D2	D2
Avg % Change	-0.14	0.14	0.39	0.17	0.08
First Trading Day Performance					
% of Time Up	54.4	52.6	61.1	60.7	67.9
Avg % Change	0.20	0.19	0.25	0.21	0.33
Last Trading Day Performance					
% of Time Up	54.4	50.9	72.2	50.0	75.0
Avg % Change	0.03	0.08	0.33	-0.04	0.48

Dow & S&P 1950-April 2007, NASDAQ 1971-April 2007, Russell 1K & 2K 1979-April 2007.

*Last Day of June not hot for the Dow
But for stocks on NASDAQ, WOW!*

Memorial Day (Market Closed)

MONDAY

26

The time to buy is when blood is running in the streets. — Baron Nathan Rothschild (London Financier, 1777-1836)

TUESDAY

D 42.9
S 52.4
N 52.4

27

The wisdom of the ages is the fruits of freedom and democracy.

— Lawrence Kudlow (Economist, 24th Annual Paulson SmallCap Conference, Waldorf Astoria NYC, 11/8/01)



WEDNESDAY

D 57.1
S 61.9
N 71.4

28

To know values is to know the meaning of the market. — Charles Dow (Co-founder Dow Jones & Co, 1851-1902)

Memorial Day Week Dow Up Big 12 Straight 1984-1995, Down 7 of Last 11

THURSDAY

D 61.9
S 52.4
N 66.7

29

If you don't know who you are, the stock market is an expensive place to find out.

— George Goodman (*Institutional Investor*, New York, "Adam Smith", *The Money Game*, b. 1930)

FRIDAY

D 52.4
S 52.4
N 71.4

30

History is a collection of agreed upon lies. — Voltaire (French philosopher, 1694-1778)

SATURDAY

31

June Almanac Investor Seasonalities: see Pages 114 & 116

SUNDAY

1

TOP PERFORMING NASDAQ MONTHS PAST 36 1/3 YEARS

NASDAQ stocks continue to run away during three consecutive months, November, December and January, with an average gain of 7.8% despite the slaughter of November 2000, down 22.9%, December 2001, up only 1.0%, January 2002, -0.8%, and December 2002, -9.7% during the three-year bear that shrank the tech-dominated index by 77.9%. Solid gains in November and December 2004 offset January 2005's 5.2% Iraq-turmoil-fueled drop.

You can see the months graphically on page 148. January by itself is impressive, up 3.7% on average. April, May and June also shine, creating our NASDAQ Best Eight Months strategy. What appears as a Death Valley abyss occurs during NASDAQ's bleakest four months: July, August, September and October. NASDAQ's Best Eight Months seasonal strategy using MACD timing is displayed on page 58.

MONTHLY % CHANGES (JANUARY 1971 — APRIL 2007)

NASDAQ Composite*					Dow Jones Industrials				
Month	Total % Change	Avg. % Change	# Up	# Down	Month	Total % Change	Avg. % Change	# Up	# Down
Jan	135.1%	3.7%	26	11	Jan	77.2%	1.3%	39	19
Feb	18.2	0.5	19	18	Feb	9.6	0.2	33	25
Mar	12.3	0.3	23	14	Mar	52.5	0.9	37	21
Apr	40.5	1.1	23	14	Apr	107.0	1.8	36	22
May	36.1	1.0	21	15	May	3.8	0.1	29	28
Jun	43.1	1.2	22	14	Jun	-5.7	-0.1	28	29
Jul	-12.5	-0.3	17	19	Jul	59.9	1.1	35	22
Aug	10.5	0.3	19	17	Aug	-2.2	-0.04	32	25
Sep	-31.3	-0.9	19	17	Sep	-55.1	-1.0	21	36
Oct	23.3	0.6	19	17	Oct	33.8	0.6	33	24
Nov	78.2	2.2	25	11	Nov	96.3	1.7	39	18
Dec	69.9	1.9	21	15	Dec	99.9	1.8	41	16
% Rank					% Rank				
Jan	135.1%	3.7%	26	11	Apr	107.0%	1.8%	36	22
Nov	78.2	2.2	25	11	Dec	99.9	1.8	41	16
Dec	69.9	1.9	21	15	Nov	96.3	1.7	39	18
Jun	43.1	1.2	22	14	Jan	77.2	1.3	39	19
Apr	40.5	1.1	23	14	Jul	59.9	1.1	35	22
May	36.1	1.0	21	15	Mar	52.5	0.9	37	21
Oct	23.3	0.6	19	17	Oct	33.8	0.6	33	24
Feb	18.2	0.5	19	18	Feb	9.6	0.2	33	25
Mar	12.3	0.3	23	14	May	3.8	0.1	29	28
Aug	10.5	0.3	19	17	Aug	-2.2	-0.04	32	25
Jul	-12.5	-0.3	17	19	Jun	-5.7	-0.1	28	29
Sep	-31.3	-0.9	19	17	Sep	-55.1	-1.0	21	36
Totals	423.4%	11.6%			Totals	477.0%	8.4%		
Average		0.97%			Average		0.70%		

*Based on NASDAQ composite, prior to February 5, 1971, based on National Quotation Bureau indices

For comparison, Dow figures are shown. During this period NASDAQ averaged a 0.97% gain per month, 39 percent more than the Dow's 0.70% per month. Between January 1971 and January 1982 NASDAQ's composite index doubled in the twelve years, while the Dow stayed flat. But while NASDAQ plummeted 77.9% from its 2000 highs to the 2002 bottom, the Dow only lost 37.8%.

JUNE

First Trading Day in June Dow Up 8 of Last 9, -2.2% in 2002



MONDAY

D 76.2
S 66.7
N 66.7

2

Tell me and I'll forget; show me and I may remember; involve me and I'll understand.
— Confucius (Chinese philosopher, 551-478 BC)

Start Looking for NASDAQ MACD Sell Signal (Page 58)
Almanac Investor Subscribers Are Emailed Alert When It Triggers



TUESDAY

D 52.4
S 71.4
N 76.2

3

A generation from now, Americans may marvel at the complacency that assumed the dollar's dominance would never end.
— Floyd Norris (Chief financial correspondent, NY Times, 2/2/07)

WEDNESDAY

D 52.4
S 47.6
N 52.4

4

The first human being to live to 150 years of age is alive today, but will he get Social Security for 85 years of his longer life span, more than twice the number of years he worked? — John Mauldin (Millennium Wave Advisors, 2000wave.com, 2/2/07)

THURSDAY

D 57.1
S 47.6
N 57.1

5

He who hesitates is poor. — Mel Brooks (Writer, director, comedian, b. 1926)

FRIDAY

D 52.4
S 47.6
N 47.6

6

A successful man is one who can lay a firm foundation with the bricks that others throw at him.
— Sidney Greenberg (Rabbi, author, 1918-2003)

SATURDAY

7

SUNDAY

8

GET MORE OUT OF NASDAQ'S "BEST EIGHT MONTHS" WITH MACD TIMING

NASDAQ's amazing eight-month run from November through June is hard to miss on pages 56 and 148. A \$10,000 investment in these eight months since 1971 gained \$354,341 versus a loss of \$3,568 during the void that is the four-month period July-October.

Using the same MACD timing indicators on the NASDAQ as is done for the Dow (page 50) has enabled us to capture much of October's improved performance, pumping up NASDAQ's results considerably. Over the 36 years since NASDAQ began, the gain on the same \$10,000 more than doubles to \$782,291 and the loss during the four-month void increases to \$7,093. Only four sizeable losses occurred during the favorable period and the bulk of NASDAQ's bear markets were avoided including the worst of the 2000-2002 bear.

Updated signals are emailed to our monthly newsletter subscribers as soon as they are triggered. For further information on how the MACD indicator is calculated visit www.stocktradersalmanac.com.

BEST EIGHT MONTHS STRATEGY + TIMING

MACD Signal Date	Worst 4 Months July 1-Oct 31*	Investing \$10,000	MACD Signal Date	Best 8 Months Nov 1-June 30*	Investing \$10,000
	NASDAQ % Change			NASDAQ % Change	
22-Jul-71	109.54	- 3.6	4-Nov-71	105.56	24.1
7-Jun-72	131.00	- 1.8	23-Oct-72	128.66	-22.7
25-Jun-73	99.43	- 7.2	7-Dec-73	92.32	-20.2
3-Jul-74	73.66	-23.2	7-Oct-74	56.57	47.8
11-Jun-75	83.60	- 9.2	7-Oct-75	75.88	20.8
22-Jul-76	91.66	- 2.4	19-Oct-76	89.45	13.2
27-Jul-77	101.25	- 4.0	4-Nov-77	97.21	26.6
7-Jun-78	123.10	- 6.5	6-Nov-78	115.08	19.1
3-Jul-79	137.03	- 1.1	30-Oct-79	135.48	15.5
20-Jun-80	156.51	26.2	9-Oct-80	197.53	11.2
4-Jun-81	219.68	-17.6	1-Oct-81	181.09	- 4.0
7-Jun-82	173.84	12.5	7-Oct-82	195.59	57.4
1-Jun-83	307.95	-10.7	3-Nov-83	274.86	-14.2
1-Jun-84	235.90	5.0	15-Oct-84	247.67	17.3
3-Jun-85	290.59	- 3.0	1-Oct-85	281.77	39.4
10-Jun-86	392.83	-10.3	1-Oct-86	352.34	20.5
30-Jun-87	424.67	-22.7	2-Nov-87	328.33	20.1
8-Jul-88	394.33	-6.6	29-Nov-88	368.15	22.4
13-Jun-89	450.73	0.7	9-Nov-89	454.07	1.9
11-Jun-90	462.79	-23.0	2-Oct-90	356.39	39.3
11-Jun-91	496.62	6.4	1-Oct-91	528.51	7.4
11-Jun-92	567.68	1.5	14-Oct-92	576.22	20.5
7-Jun-93	694.61	9.9	1-Oct-93	763.23	- 4.4
17-Jun-94	729.35	5.0	11-Oct-94	765.57	13.5
1-Jun-95	868.82	17.2	13-Oct-95	1018.38	21.6
3-Jun-96	1238.73	1.0	7-Oct-96	1250.87	10.3
4-Jun-97	1379.67	24.4	3-Oct-97	1715.87	1.8
1-Jun-98	1746.82	- 7.8	15-Oct-98	1611.01	49.7
1-Jun-99	2412.03	18.5	6-Oct-99	2857.21	35.7
29-Jun-00	3877.23	-18.2	18-Oct-00	3171.56	-32.2
1-Jun-01	2149.44	-31.1	1-Oct-01	1480.46	5.5
3-Jun-02	1562.56	-24.0	2-Oct-02	1187.30	38.5
20-Jun-03	1644.72	15.1	6-Oct-03	1893.46	4.3
21-Jun-04	1974.38	- 1.6	1-Oct-04	1942.20	6.1
8-Jun-05	2060.18	1.5	19-Oct-05	2091.76	6.1
1-Jun-06	2219.86	3.9	5-Oct-06	2306.34	9.5
30-Apr-07	2525.09				

As of April 2007, MACD Sell signal not triggered at press time

36-Year Loss (\$7,093)

36-Year Gain \$782,291

* MACD generated entry and exit points (earlier or later) can lengthen or shorten eight-month periods

JUNE



MONDAY

D 42.9
S 33.3
N 38.1

9

I am not a member of any organized party — I am a Democrat. — Will Rogers (American humorist and showman, 1879-1935)

TUESDAY

D 38.1
S 47.6
N 52.4

10

You get stepped on, passed over, knocked down, but you have to come back.
— 90-year old Walter Watson (MD, *Fortune*, 11/13/2000)

WEDNESDAY

D 61.9
S 52.4
N 52.4

11

The difference between genius and stupidity is that genius has its limits. — Anonymous

THURSDAY

D 47.6
S 57.1
N 52.4

12

If you want to raise a crop for one year, plant corn. If you want to raise a crop for decades, plant trees. If you want to raise a crop for centuries, raise men. If you want to plant a crop for eternities, raise democracies.
— Carl A. Schenck (German forester, 1868-1955)



FRIDAY

D 71.4
S 71.4
N 61.9

13

There are three principal means of acquiring knowledge...observation of nature, reflection, and experimentation. Observation collects facts; reflection combines them; experimentation verifies the result of that combination.
— Denis Diderot (French philosopher, edited first modern Encyclopedia in 1745, 1713-1784)

SATURDAY

14

Father's Day

SUNDAY

15

MID-YEAR RALLY: CHRISTMAS IN JULY

What's old is often new in the stock market. Nothing excites Wall Street more than the prospects for a "summer rally." Every year when the weather heats up, anticipation of an upward spike in stock prices swells. On page 70 we illustrate that the "summer rally" is the weakest of all seasonal rallies.

However, a short, tradable mid-year rally for NASDAQ has emerged in recent years. In the 1969 Almanac we quoted a *Wall Street Journal* article from June 27, 1900 (108 years ago!): "The market is more likely to advance in midsummer than at any other time. The market has in the past been essentially a railway market, controlled in summer by the outlook for crops." As the U.S. has drifted away from being an agrarian society with less than 2% farming this "midsummer" rally faded.

But in the mid-1980s the market began to evolve into a tech-driven market and control in summer shifted to the outlook for second quarter earnings of technology companies. NASDAQ's mid-year rally from the end of June through mid-July is strongest. The accompanying table shows NASDAQ averaging a 2.9% gain since 1987 during the 12-day period from June's third-to-last trading day through July's ninth trading day versus -0.1% for the month of July.

NASDAQ COMPOSITE 12-DAY MID-YEAR RALLY

	June Close	4th Last June Trading Day	9th July Trading Day	July Close	12-Day % Change	July Change
1985	296.20	292.30	302.39	301.29	3.5%	1.7%
1986	405.51	402.22	384.80	371.37	-4.3	-8.4
1987	424.67	427.20	431.14	434.93	0.9	2.4
1988	394.66	389.00	394.67	387.33	1.5	-1.9
1989	435.29	448.55	448.90	453.84	0.1	4.3
1990	462.29	455.38	468.44	438.24	2.9	-5.2
1991	475.92	473.30	492.71	502.04	4.1	5.5
1992	563.60	548.20	575.21	580.83	4.9	3.1
1993	703.95	694.81	712.49	704.70	2.5	0.1
1994	705.96	702.68	721.56	722.16	2.7	2.3
1995	933.45	919.56	999.33	1001.21	8.7	7.3
1996	1185.02	1172.58	1103.49	1080.59	-5.9	-8.8
1997	1442.07	1446.24	1523.88	1593.81	5.4	10.5
1998	1894.74	1863.25	1968.41	1872.39	5.6	-1.2
1999	2686.12	2552.65	2818.13	2638.49	10.4	-1.8
2000	3966.11	3858.96	4246.18	3766.99	10.0	-5.0
2001	2160.54	2064.62	2084.79	2027.13	1.0	-6.2
2002	1463.21	1423.99	1373.50	1328.26	-3.5	-9.2
2003	1622.80	1602.66	1754.82	1735.02	9.5	6.9
2004	2047.79	2025.47	1914.88	1887.36	-5.5	-7.8
2005	2056.96	2045.20	2152.82	2184.83	5.3	6.2
2006	2172.09	2100.25	2037.35	2091.47	-3.0	-3.7
				1985 Average	2.6%	-0.4%
				1987 Average	2.9%	-0.1%

JUNE

*Monday Before June Triple Witching Dow Down 6 of Last 10
But Back-to-Back 200+ Point Gains 2002-2003*

 MONDAY
D 57.1
S 66.7
N 61.9
16

What counts more than luck, is determination and perseverance. If the talent is there, it will come through. Don't be too impatient.
— Fred Astaire (The report from his first screen test stated, "Can't act. Can't sing. Balding. Can dance a little.")

TUESDAY
D 52.4
S 52.4
N 42.9
17

I want the whole of Europe to have one currency; it will make trading much easier.
— Napoleon Bonaparte (Emperor of France 1804-1815, 1769-1821)





 WEDNESDAY
D 52.4
S 61.9
N 42.9
18

There is one thing stronger than all the armies in the world, and this is an idea whose time has come.
— Victor Hugo (French novelist, playwright, *Hunchback of Notre Dame* and *Les Misérables*, 1802-1885)

 THURSDAY
D 33.3
S 33.3
N 42.9
19

*Keep me away from the wisdom which does not cry, the philosophy which does not laugh and the greatness
which does not bow before children.* — Kahlil Gibran (Lebanese-born American mystic, poet and artist, 1883-1931)

June Triple Witching Dow Up 3 of Last 4

    FRIDAY
D 57.1
S 71.4
N 57.1
20

Buy when others are despondently selling and sell when others are greedily buying.
— Mark Mobius (Fund manager Templeton Investments, on investing in foreign countries)

SATURDAY
21

SUNDAY
22

FIRST-TRADING-DAY-OF-THE-MONTH PHENOMENON DOW GAINS MORE ONE DAY THAN ALL OTHER DAYS

Over the last ten years the Dow Jones Industrial Average has gained more points on the first trading days of all months than all other days combined. While the Dow gained 5513.72 points between September 2, 1997 (7622.42) and May 1, 2007 (13136.14), it is incredible that 4565.51 points were gained on the first trading days of these 117 months. The remaining 2313 trading days combined gained 948.21 points during the period. This averages out to gains of 39.02 points on first days, in contrast to 0.41 points on all others.

Note September 1997 through October 2000 racked up a total gain of 2632.39 Dow points on the first trading days of these 38 months (winners except for seven occasions). But between November 2000 and September 2002, when the last two cyclical bear markets did the bulk of their damage, frightened investors switched from pouring money into the market on that day to pulling it out, fourteen months out of twenty-three, netting a 404.80 Dow point loss.

First days of August have performed worst, falling seven times out of nine. January's first day has also been weak; down four of the last eight, as profit taking shifts to the opening of the New Year. In rising market trends first days perform much better as institutions are likely anticipating strong performance at each month's outset. S&P 500 first days track the Dow's pattern closely but NASDAQ first days are not as strong with weakness in January, April, July, August and October.


DOW POINTS GAINED ON FIRST DAY OF MONTH FROM SEPTEMBER 1997 TO MAY 1, 2007

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Totals
Jan		56.79	2.84	-139.61	-140.70	51.90	265.89	-44.07	-53.58	129.91	11.37	140.74
Feb		201.28	-13.13	100.52	96.27	-12.74	56.01	11.11	62.00	89.09	51.99	642.40
Mar		4.73	18.20	9.62	-45.14	262.73	-53.22	94.22	63.77	60.12	-34.29	380.74
Apr		68.51	46.35	300.01	-100.85	-41.24	77.73	15.63	-99.46	35.62	27.95	330.25
May		83.70	225.65	77.87	163.37	113.41	-25.84	88.43	59.19	-23.85	73.23	835.16
Jun		22.42	36.52	129.87	78.47	-215.46	47.55	14.20	82.39	91.97		287.93
Jul		96.65	95.62	112.78	91.32	-133.47	55.51	-101.32	28.47	77.80		323.36
Aug		-96.55	-9.19	84.97	-12.80	-229.97	-79.83	39.45	-17.76	-59.95		-381.63
Sep	257.36	288.36	108.60	23.68	47.74	-355.45	107.45	-5.46	-21.97	83.00		533.31
Oct	70.24	-210.09	-63.95	49.21	-10.73	346.86	194.14	112.38	-33.22	-8.72		446.12
Nov	232.31	114.05	-81.35	-71.67	188.76	120.61	57.34	26.92	-33.30	-49.71		503.96
Dec	189.98	16.99	120.58	-40.95	-87.60	-33.52	116.59	162.20	106.70	-27.80		523.17
Totals	749.89	646.84	486.74	636.30	268.11	-126.34	819.32	413.69	143.23	397.48	130.25	4565.51

SUMMARY FIRST DAYS VS. OTHER DAYS OF MONTH

	# of Days	Total Points Gained	Average Daily Point Gain
First days	117	4565.51	39.02
Other days	2313	948.21	0.41

June Ends NASDAQ's "Best Eight Months" (Pages 56, 58 & 148)

 MONDAY
D 33.3
S 28.6
N 33.3 **23**

The only thing that saves us from the bureaucracy is its inefficiency.


— Eugene McCarthy (US Congressman & Senator Minnesota 1949-1971, 3-time presidential candidate, 1916-2005)

Week After June Triple Witching Dow Down 8 in a Row and 15 of Last 17

TUESDAY
D 47.6
S 42.9
N 47.6 **24**

Technology has no respect for tradition.

— Peter C. Lee (Merchants' Exchange CEO, quoted in *Stocks, Futures & Options Magazine*, May 2003)

 WEDNESDAY
D 38.1
S 23.8
N 28.6 **25**

Of the S&P 500 companies in 1957, only 74 were still on the list in 1998 and only 12 outperformed the index itself over that period.

By 2020, more than 375 companies in the S&P 500 will consist of companies we don't know today.

— Richard Foster and Sarah Kaplan (*Creative Destruction*)


12-Day Mid-Year NASDAQ Rally Starts (Page 60)

Average 2.9% Since 1987 v. -0.1% for July

THURSDAY
D 52.4
S 57.1
N 61.9 **26**

Intellect and Emotion are partners who do not speak the same language. The intellect finds logic to justify what the emotions have decided.

WIN THE HEARTS OF PEOPLE, THEIR MINDS WILL FOLLOW — Roy H. Williams (*The Wizard of Ads*)

 FRIDAY
D 57.1
S 66.7
N 66.7 **27**

Excellent firms don't believe in excellence—only in constant improvement and constant change.

— Tom Peters (*In Search Of Excellence*)

SATURDAY
28

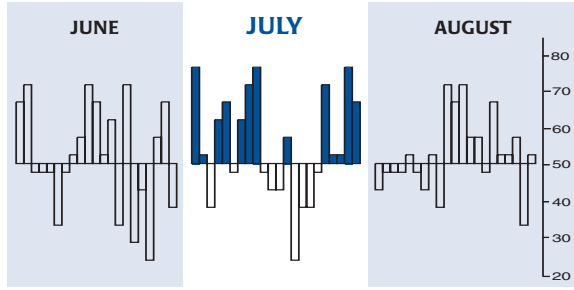
July Almanac Investor Seasonalities: see Pages 114 & 116

SUNDAY
29

JULY ALMANAC

JULY						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

AUGUST						
S	M	T	W	T	F	S
				1	2	
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						



Market Probability Chart above is a graphic representation of the S&P 500 Recent Market Probability Calendar on page 124.

- ◆ July is the best month of the third quarter except for NASDAQ (page 74)
- ◆ Start of 2nd half brings an inflow of retirement funds
- ◆ First trading day Dow up 15 of last 18
- ◆ Graph above shows strength in the beginning and end of July
- ◆ NASDAQ's 12-day mid-year rally gains 2.9% on average since 1987 v. -0.1% for the month of July (page 60)
- ◆ July closes well except if bear market in progress
- ◆ Huge gain in July usually provides better buying opportunity over next 4 months
- ◆ Start of NASDAQ's worst four months of the year (page 56)
- ◆ Election Julys average negative returns for NASDAQ (-1.8%), barely positive for Dow (0.3%) and S&P (0.2%)

July Vital Statistics


	DJIA	S&P 500	NASDAQ	Russell 1K	Russell 2K
Rank	5	7	11	10	12
Up	35	31	17	12	13
Down	22	26	19	16	15
Avg % Change	1.1%	0.9%	-0.3%	0.3%	-0.9%
Election Year	0.3%	0.2%	-1.8%	-0.4%	-1.5%
Best & Worst July					
	% Change		% Change		% Change
Best	1989 9.0	1989 8.8	1997 10.5	1989 8.2	1980 11.0
Worst	1969 -6.6	2002 -7.9	2002 -9.2	2002 -7.5	2002 -15.2
Best & Worst July Weeks					
Best	7/2/99 5.6	7/2/99 5.8	7/2/99 7.4	7/2/99 5.7	7/18/80 4.2
Worst	7/19/02 -7.7	7/19/02 -8.0	7/28/00 -10.5	7/19/02 -7.4	7/19/02 -6.6
Best & Worst July Days					
Best	7/24/02 6.4	7/24/02 5.7	7/29/02 5.8	7/24/02 5.6	7/29/02 4.9
Worst	7/19/02 -4.6	7/19/02 -3.8	7/28/00 -4.7	7/19/02 -3.6	7/23/02 -4.1
First Trading Day of Expiration Week: 1980-2006					
Record (#Up - #Down)	16-11	18-9	19-8	18-9	16-11
Current streak	U4	D1	U2	D1	D1
Avg % Change	0.06	0.02	0.06	-0.001	-0.01
Options Expiration Day: 1980-2006					
Record (#Up - #Down)	12-15	14-13	12-15	14-13	11-16
Current streak	D1	D1	D1	D1	D1
Avg % Change	-0.22	-0.25	-0.40	-0.27	-0.38
Options Expiration Week: 1980-2006					
Record (#Up - #Down)	17-10	14-13	14-13	14-13	15-12
Current streak	U2	U2	D1	U2	D1
Avg % Change	0.17	-0.10	-0.26	-0.16	-0.28
Week After Options Expiration: 1980-2006					
Record (#Up - #Down)	13-14	12-15	9-18	12-15	8-19
Current streak	U2	U2	U2	U2	U2
Avg % Change	-0.16	-0.41	-0.88	-0.44	-0.75
First Trading Day Performance					
% of Time Up	63.2	68.4	55.6	67.9	57.1
Avg % Change	0.23	0.21	-0.02	0.23	-0.16
Last Trading Day Performance					
% of Time Up	56.1	66.7	55.6	64.3	75.0
Avg % Change	0.13	0.18	0.07	0.15	0.12

Dow & S&P 1950-April 2007, NASDAQ 1971-April 2007, Russell 1K & 2K 1979-April 2007.

When Dow and S&P in July are inferior NASDAQ days tend to be even drearier


JUNE/JULY

Last Day of Second Quarter Dow Down 12 of Last 16 —
NASDAQ Up 12 of 15

 MONDAY
D 33.3
S 38.1
N 71.4 **30**

Technology will gradually strengthen democracies in every country and at every level. — William H. Gates (Microsoft founder)

First Trading Day in July Dow Up 15 of Last 18
But 100+ Point Losses in 2002 & 2004


 TUESDAY
D 76.2
S 76.2
N 66.7 **1**

Big money is made in the stock market by being on the right side of major moves. I don't believe in swimming against the tide.
— Martin Zweig (Fund manager, *Winning on Wall Street*)


WEDNESDAY
D 57.1
S 52.4
N 47.6 **2**

The single best predictor of overall excellence is a company's ability to attract, motivate, and retain talented people.
— Bruce Pfau (Vice chair human resources KPMG, *Fortune* 1998)

(Shortened Trading Day)

 THURSDAY
D 38.1
S 38.1
N 38.1 **3**

In the realm of ideas, everything depends on enthusiasm; in the real world, all rests on perseverance.
— Johann Wolfgang von Goethe (German poet and polymath, 1749-1832)

Independence Day (Market Closed) 

FRIDAY
4

Nothing gives one person so much advantage over another as to remain always cool and unruffled under all circumstances.
— Thomas Jefferson (3rd US President, 1743-7/4/1826)

July Begins NASDAQ's "Worst Four Months" (Pages 56, 58 & 148)

SATURDAY
5

SUNDAY
6

2006 DAILY DOW POINT CHANGES (DOW JONES INDUSTRIAL AVERAGE)


Week #	Monday**	Tuesday	Wednesday	Thursday	Friday**	Weekly Dow Close	Net Change
1					2005 Close	10717.50	
2	Holiday	129.91	32.74	2.00	77.16	10959.31	241.81
3	52.59	-0.32	31.86	-81.08	-2.49	10959.87	0.56
4	Holiday	-63.55	-41.46	25.85	-213.32	10667.39	-292.48
5	21.38	23.45	-2.48	99.73	97.74	10907.21	239.82
6	-7.29	-35.06	89.09	-101.97	-58.36	10793.62	-113.59
7	4.65	-48.51	108.86	24.73	35.70	10919.05	125.43
8	-26.73	136.07	30.58	61.71	-5.36	11115.32	196.27
9	Holiday	-46.26	68.11	-67.95	-7.37	11061.85	-53.47
10	35.70	-104.14	60.12	-28.02	-3.92	11021.59	-40.26
11	-63.00	22.10	25.05	-33.46	104.06	11076.34	54.75
12	-0.32	75.32	58.43	43.47	26.41	11279.65	203.31
13	-5.12	-39.06	81.96	-47.14	9.68	11279.97	0.32
14	-29.86	-95.57	61.16	-65.00	-41.38	11109.32	-170.65
15	35.62	58.91	35.70	-23.05	-96.46	11120.04	10.72
16	21.29	-51.70	40.34	7.68	Holiday	11137.65	17.61
17	-63.87	194.99	10.00	64.12	4.56	11347.45	209.80
18	-11.13	-53.07	71.24	28.02	-15.37	11367.14	19.69
19	-23.85	73.16	-16.17	38.58	138.88	11577.74	210.60
20	6.80	55.23	2.88	-141.92	-119.74	11380.99	-196.75
21	47.78	-8.88	-214.28	-77.32	15.77	11144.06	-236.93
22	-18.73	-26.98	18.97	93.73	67.56	11278.61	134.55
23	Holiday	-184.18	73.88	91.97	-12.41	11247.87	-30.74
24	-199.15	-46.58	-71.24	7.92	-46.90	10891.92	-355.95
25	-99.34	-86.44	110.78	198.27	-0.64	11014.55	122.63
26	-72.44	32.73	104.62	-60.35	-30.02	10989.09	-25.46
27	56.19	-120.54	48.82	217.24	-40.58	11150.22	161.13
28	77.80*	Holiday	-76.20	73.48	-134.63	11090.67	-59.55
29	12.88	31.22	-121.59	-166.89	-106.94	10739.35	-351.32
30	8.01	51.87	212.19	-83.32	-59.72	10868.38	129.03
31	182.67	52.66	-1.20	-2.08	119.27	11219.70	351.32
32	-34.02	-59.95	74.20	42.66	-2.24	11240.35	20.65
33	-20.97	-45.79	-97.41	48.19	-36.34	11088.03	-152.32
34	9.84	132.39	96.86	7.84	46.51	11381.47	293.44
35	-36.42	-5.21	-41.94	6.56	-20.41	11284.05	-97.42
36	67.96	17.93	12.97	-1.76	83.00	11464.15	180.10
37	Holiday	5.13	-63.08	-74.76	60.67	11392.11	-72.04
38	4.73	101.25	45.23	-15.93	33.38	11560.77	168.66
39	-5.77	-14.09	72.28	-79.96	-25.13	11508.10	-52.67
40	67.71	93.58	19.85	29.21	-39.38	11679.07	170.97
41	-8.72	56.99	123.27	16.08	-16.48	11850.21	171.14
42	7.60	9.36	-15.04	95.57	12.81	11960.51	110.30
43	20.09	-30.58	42.66	19.05	-9.36	12002.37	41.86
44	114.54	10.97	6.80	28.98	-73.40	12090.26	87.89
45	-3.76	-5.77	-49.71	-12.48	-32.50	11986.04	-104.22
46	119.51	51.22	19.77	-73.24	5.13	12108.43	122.39
47	23.45	86.13	33.70	54.11	36.74	12342.56	234.13
48	-26.02	5.05	5.36	Holiday	-46.78*	12280.17	-62.39
49	-158.46	14.74	90.28	-4.80	-27.80	12194.13	-86.04
50	89.72	47.75	-22.35	-30.84	29.08	12307.49	113.36
51	20.99	-12.90	1.92	99.26	28.76	12445.52	138.03
52	-4.25	30.05	-7.45	-42.62	-78.03	12343.22	-102.30
53	Holiday	64.41	102.94	-9.05	-38.37	12463.15	119.93
TOTALS	95.74**	573.98	1283.87	193.34	-401.28**		1745.65

Bold Color: Down Friday, Down Monday

* Shortened trading day: Jul 3, Nov 25

** Monday denotes first trading day of week, Friday denotes last trading day of week

JULY

 MONDAY
D 57.1
S 61.9
N 52.4 **7**

I'm a great believer in luck, and I find the harder I work the more I have of it.
— Thomas Jefferson (3rd US President, 1743-7/4/1826)

Watch Out For Huge Market Gyration (Both Up and Down) After July 4th

 TUESDAY
D 61.9
S 66.7
N 66.7 **8**

Nothing will improve a person's hearing more than sincere praise. — Harvey Mackay (*Pushing the Envelope*, 1999)

WEDNESDAY
D 52.4
S 47.6
N 66.7 **9**

Setting a goal is not the main thing. It is deciding how you will go about achieving it and staying with that plan.
— Tom Landry (Head Coach Dallas Cowboys 1960-1988)

July is the Best Performing Dow & S&P Month of the Third Quarter

 THURSDAY
D 66.7
S 61.9
N 61.9 **10**

I believe in the exceptional man — the entrepreneur who is always out of money, not the bureaucrat who generates cash flow and pays dividends. — Armand Erpf (Investment banker, partner Loeb Rhoades, 1897-1971)

 FRIDAY
D 61.9
S 71.4
N 76.2 **11**

A good manager is a man who isn't worried about his own career but rather the careers of those who work for him... Don't worry about yourself! Take care of those who work for you and you'll float to greatness on their achievements.
— H.S.M. Burns (Scottish CEO Shell Oil 1947-1960, 1900-1971)

SATURDAY
12

SUNDAY
13

DON'T SELL STOCKS ON FRIDAY

Since 1989, Monday* and Tuesday have been the most consistently bullish days of the week for the Dow, Thursday and Friday* the most bearish, as traders have become reluctant to stay long going into the weekend. Since 1989 Mondays and Tuesdays gained 9338.22 Dow points, while Thursday and Friday combined for a total loss of 1366.84 points. Also broken out are the last six and a third years to illustrate Friday's deteriorating performance. During uncertain market times traders often sell before the weekend and are reluctant to jump in on Monday. See pages 66, 100 and 141-144 for more.

ANNUAL DOW POINT CHANGES FOR DAYS OF THE WEEK SINCE 1953

Year	Monday*	Tuesday	Wednesday	Thursday	Friday*	Year's DJIA Closing	Year's Point Change
1953	- 36.16	- 7.93	19.63	5.76	7.70	280.90	- 11.00
1954	- 15.68	3.27	24.31	33.96	46.27	404.39	123.49
1955	- 48.36	26.38	46.03	- 0.66	60.62	488.40	84.01
1956	- 27.15	- 19.36	- 15.41	8.43	64.56	499.47	11.07
1957	- 109.50	- 7.71	64.12	3.32	- 14.01	435.69	- 63.78
1958	- 17.50	23.59	29.10	22.67	55.10	583.65	147.96
1959	- 44.48	29.04	4.11	13.60	93.44	679.36	95.71
1960	- 111.04	- 3.75	- 5.62	6.74	50.20	615.89	- 63.47
1961	- 23.65	10.18	87.51	- 5.96	47.17	731.14	115.25
1962	- 101.60	26.19	9.97	- 7.70	- 5.90	652.10	- 79.04
1963	- 8.88	47.12	16.23	22.39	33.99	762.95	110.85
1964	- 0.29	- 17.94	39.84	5.52	84.05	874.13	111.18
1965	- 73.23	39.65	57.03	3.20	68.48	969.26	95.13
1966	- 153.24	- 27.73	56.13	- 46.19	- 12.54	785.69	- 183.57
1967	- 68.65	31.50	25.42	92.25	38.90	905.11	119.42
1968†	- 6.41	34.94	25.16	- 72.06	44.19	943.75	38.64
1969	- 164.17	- 36.70	18.33	- 23.79	15.36	800.36	- 143.39
1970	- 100.05	- 46.09	116.07	- 3.48	72.11	838.92	38.56
1971	- 2.99	9.56	13.66	8.04	23.01	890.20	51.28
1972	- 87.40	- 1.23	65.24	8.46	144.75	1020.02	129.82
1973	- 174.11	10.52	- 5.94	36.67	- 36.30	850.86	- 169.16
1974	- 149.37	47.51	- 20.31	- 13.70	- 98.75	616.24	- 234.62
1975	39.46	- 109.62	56.93	124.00	125.40	852.41	236.17
1976	70.72	71.76	50.88	- 33.70	- 7.42	1004.65	152.24
1977	- 65.15	- 44.89	- 79.61	- 5.62	21.79	831.17	- 173.48
1978	- 31.29	- 70.84	71.33	- 64.67	69.31	805.01	- 26.16
1979	- 32.52	9.52	- 18.84	75.18	0.39	838.74	33.73
1980	- 86.51	135.13	137.67	- 122.00	60.96	963.99	125.25
1981	- 45.68	- 49.51	- 13.95	- 14.67	34.82	875.00	- 88.99
1982	5.71	86.20	28.37	- 1.47	52.73	1046.54	171.54
1983	30.51	- 30.92	149.68	61.16	1.67	1258.64	212.10
1984	- 73.80	78.02	- 139.24	92.79	- 4.84	1211.57	- 47.07
1985	80.36	52.70	51.26	46.32	104.46	1546.67	335.10
1986	- 39.94	97.63	178.65	29.31	83.63	1895.95	349.28
1987	- 559.15	235.83	392.03	139.73	- 165.56	1938.83	229.88
1988	268.12	166.44	- 60.48	- 230.84	86.50	2168.57	42.74
1989	- 53.31	143.33	233.25	90.25	171.11	2753.20	584.63
SubTotal	-1937.20	941.79	1708.54	330.82	1417.35		2461.30
1990	219.90	- 25.22	47.96	- 352.55	- 9.63	2633.66	- 119.54
1991	191.13	47.97	174.53	254.79	- 133.25	3168.83	535.17
1992	237.80	- 49.67	3.12	108.74	- 167.71	3301.11	132.28
1993	322.82	- 37.03	243.87	4.97	- 81.65	3754.09	452.98
1994	206.41	- 95.33	29.98	- 168.87	108.16	3834.44	80.35
1995	262.97	210.06	357.02	140.07	312.56	5117.12	1282.68
1996	626.41	155.55	- 34.24	268.52	314.91	6448.27	1331.15
1997	1136.04	1989.17	- 590.17	- 949.80	- 125.26	7908.25	1459.98
1998	649.10	679.95	591.63	- 1579.43	931.93	9181.43	1273.18
1999	980.49	- 1587.23	826.68	735.94	1359.81	11497.12	2315.69
2000	2265.45	306.47	- 1978.34	238.21	- 1542.06	10786.85	- 710.27
SubTotal	7098.52	1594.69	- 327.96	- 1299.41	967.81		8033.65
2001	- 389.33	336.86	- 396.53	976.41	- 1292.76	10021.50	- 765.35
2002	- 1404.94	- 823.76	1443.69	- 428.12	- 466.74	8341.63	- 1679.87
2003	978.87	482.11	- 425.46	566.22	510.55	10453.92	2112.29
2004	201.12	523.28	358.76	- 409.72	- 344.35	10783.01	329.09
2005	316.23	- 305.62	27.67	- 128.75	24.96	10717.50	- 65.51
2006	95.74	573.98	1283.87	193.34	- 401.28	12463.15	1745.65
2007 ‡	89.61	- 29.14	576.00	184.56	- 19.56	13264.62	801.47
Subtotal	- 112.70	757.71	2868.00	953.94	- 1989.18		2477.77
Totals	5048.62	3294.19	4248.58	- 14.65	395.98		12972.72

* Monday denotes first trading day of week, Friday denotes last trading day of week

† Most Wednesdays closed last 7 months of 1968 ‡ Partial year through May 4, 2007.

JULY

*Monday Before July Expiration Dow Up 4 in a Row After a 3-Year Bear Run
12-Day Mid-Year NASDAQ Rally Ends July 14th (Page 60)*



MONDAY
D 66.7
S 76.2
N 76.2
14

All free governments are managed by the combined wisdom and folly of the people.
— James A. Garfield (20th US President, 1831-1881)

TUESDAY
D 52.4
S 47.6
N 61.9
15

The only things that evolve by themselves in an organization are disorder, friction and malperformance.
— Peter Drucker (Austria-born pioneer management theorist, 1909-2005)

WEDNESDAY
D 47.6
S 42.9
N 47.6
16

*The average man desires to be told specifically which particular stock to buy or sell. He wants to get something for nothing.
He does not wish to work.* — William LeFevre (Senior analyst Ehrenkrantz King Nussbaum, 1928-1997)

THURSDAY
D 42.9
S 42.9
N 42.9
17

The word "crisis" in Chinese is composed of two characters: the first, the symbol of danger; the second, opportunity.

July Expiration Day Dow Down 5 of Last 7 — Off 390 Dow Points in 2002



FRIDAY
D 52.4
S 57.1
N 52.4
18

Real knowledge is to know the extent of one's ignorance. — Confucius (Chinese philosopher, 551-478 B.C.)

SATURDAY
19

SUNDAY
20

A RALLY FOR ALL SEASONS


Most years, especially when the market sells off during the first half, prospects for the perennial summer rally become the buzz on the street. Parameters for this “rally” were defined by the late Ralph Rotnem as the lowest close in the Dow Jones Industrials in May or June to the highest close in July, August, or September. Such a big deal is made of the “summer rally” that one might get the impression the market puts on its best performance in the summertime. Nothing could be further from the truth! Not only does the market “rally” in every season of the year, but it does so with more gusto in the winter, spring, and fall than in the summer.

Winters in 44 years averaged a 13.1% gain as measured from the low in November or December to the first quarter closing high. Spring rose 11.0% followed by fall with 10.9%. Last and least was the average 9.2% “summer rally.” Even 2003’s impressive 14.3% “summer rally” was outmatched by spring and fall. Nevertheless, no matter how thick the gloom or grim the outlook, don’t despair! There’s always a rally for all seasons, statistically. NASDAQ’s 12-day mid-year rally on page 60 is tradable.

SEASONAL GAINS IN DOW JONES INDUSTRIALS

	WINTER RALLY Nov/Dec Low to Q1 High	SPRING RALLY Feb/Mar Low to Q2 High	SUMMER RALLY May/Jun Low to Q3 High	FALL RALLY Aug/Sep Low to Q4 High
1964	15.3%	6.2%	9.4%	8.3%
1965	5.7	6.6	11.6	10.3
1966	5.9	4.8	3.5	7.0
1967	11.6	8.7	11.2	4.4
1968	7.0	11.5	5.2	13.3
1969	0.9	7.7	1.9	6.7
1970	5.4	6.2	22.5	19.0
1971	21.6	9.4	5.5	7.4
1972	19.1	7.7	5.2	11.4
1973	8.6	4.8	9.7	15.9
1974	13.1	8.2	1.4	11.0
1975	36.2	24.2	8.2	8.7
1976	23.3	6.4	5.9	4.6
1977	8.2	3.1	2.8	2.1
1978	2.1	16.8	11.8	5.2
1979	11.0	8.9	8.9	6.1
1980	13.5	16.8	21.0	8.5
1981	11.8	9.9	0.4	8.3
1982	4.6	9.3	18.5	37.8
1983	15.7	17.8	6.3	10.7
1984	5.9	4.6	14.1	9.7
1985	11.7	7.1	9.5	19.7
1986	31.1	18.8	9.2	11.4
1987	30.6	13.6	22.9	5.9
1988	18.1	13.5	11.2	9.8
1989	15.1	12.9	16.1	5.7
1990	8.8	14.5	12.4	8.6
1991	21.8	11.2	6.6	9.3
1992	14.9	6.4	3.7	3.3
1993	8.9	7.7	6.3	7.3
1994	9.7	5.2	9.1	5.0
1995	13.6	19.3	11.3	13.9
1996	19.2	7.5	8.7	17.3
1997	17.7	18.4	18.4	7.3
1998	20.3	13.6	8.2	24.3
1999	15.1	21.6	8.2	12.6
2000	10.8	15.2	9.8	3.5
2001	6.4	20.8	1.7	23.1
2002	14.8	7.9	2.8	17.6
2003	6.5	23.9	14.3	15.7
2004	11.6	5.2	4.4	10.6
2005	9.0	2.1	5.6	5.3
2006	8.8	8.3	9.5	13.0
2007	6.7			
Totals	577.7%	474.3%	394.9%	466.6%
Average	13.1%	11.0%	9.2%	10.9%

JULY


 MONDAY
D 33.3
S 23.8
N 28.6 **21**

If you destroy a free market you create a black market. If you have ten thousand regulations you destroy all respect for the law.
— Winston Churchill (British statesman, 1874-1965)

2006 Week After July Options Expiration Dow Up Huge 3.2%

 TUESDAY
D 47.6
S 38.1
N 38.1 **22**

A gold mine is a hole in the ground with a liar on top.
— Mark Twain (1835-1910, pen name of Samuel Longhorne Clemens, American novelist and satirist)


 WEDNESDAY
D 38.1
S 38.1
N 33.3 **23**

Have not great merchants, great manufacturers, great inventors done more for the world than preachers and philanthropists. Can there be any doubt that cheapening the cost of necessities and conveniences of life is the most powerful agent of civilization and progress? — Charles Elliott Perkins (Railroad magnate, 1840-1907)

July Closes Well But Can End Poorly if a Bear Market in Progress

THURSDAY
D 52.4
S 47.6
N 47.6 **24**

Anyone who has achieved excellence knows that it comes as a result of ceaseless concentration.
— Louise Brooks (Actress, 1906-1985)

 FRIDAY
D 66.7
S 71.4
N 66.7 **25**

To me, the "tape" is the final arbiter of any investment decision. I have a cardinal rule: Never fight the tape!
— Martin Zweig (Fund manager, *Winning on Wall Street*)

SATURDAY
26

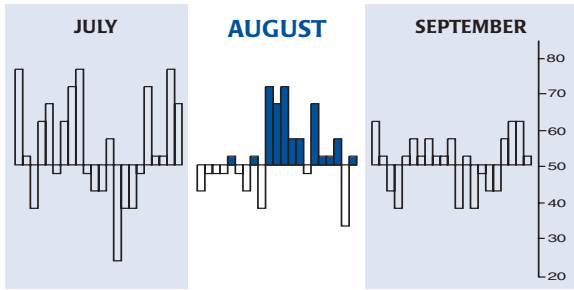
August Almanac Investor Seasonalities: see Pages 114 & 116

SUNDAY
27

AUGUST ALMANAC

AUGUST						
S	M	T	W	T	F	S
						1 2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

SEPTEMBER						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				



Market Probability Chart above is a graphic representation of the S&P 500 Recent Market Probability Calendar on page 124.

◆ Harvesting made August the best stock market month 1901-1951 ◆ Now that less than 2% farm, August has become the worst S&P month since 1987, second worst Dow and third worst NASDAQ month (NAS up 11.7% in 2000 but down 10.9 in 2001) ◆ Shortest bear in history (45 days) caused by turmoil in Russia, currency crisis and hedge fund debacle ended here in 1998, with a record 1344.22 point drop in the Dow, off 15.1% ◆ Saddam Hussein triggered a 10.0% slide in 1990 ◆ Best Dow gains: 1982 (11.5%) and 1984 (9.8%) as bear markets ended ◆ Last 5 Days of August Much Better, Up 4 Years in a Row

August Vital Statistics

	DJIA	S&P 500	NASDAQ	Russell 1K	Russell 2K
Rank	10	10	10	9	9
Up	32	31	19	18	16
Down	25	26	17	10	12
Avg % Change	-0.04%	0.04%	0.3%	0.6%	0.6%
Election Year	0.8%	0.9%	2.8%	2.3%	3.5%
Best & Worst August					
	% Change	% Change	% Change	% Change	% Change
Best	1982 11.5	1982 11.6	2000 11.7	1982 11.3	1984 11.5
Worst	1998 -15.1	1998 -14.6	1998 -19.9	1998 -15.1	1998 -19.5
Best & Worst August Weeks					
Best	8/20/82 10.3	8/20/82 8.8	8/3/84 7.4	8/20/82 8.5	8/3/84 7.0
Worst	8/23/74 -6.1	8/16/74 -6.4	8/28/98 -8.8	8/28/98 -5.4	8/28/98 -9.4
Best & Worst August Days					
Best	8/17/82 4.9	8/17/82 4.8	8/14/02 5.1	8/17/82 4.4	8/6/02 3.7
Worst	8/31/98 -6.4	8/31/98 -6.8	8/31/98 -8.6	8/31/98 -6.7	8/31/98 -5.7
First Trading Day of Expiration Week: 1980-2006					
Record (#Up - #Down)	19-8	21-6	20-7	20-7	17-10
Current streak	U4	U4	U9	U4	U7
Avg % Change	0.35	0.34	0.35	0.30	0.21
Options Expiration Day: 1980-2006					
Record (#Up - #Down)	14-13	15-12	15-12	15-12	18-9
Current streak	U4	U4	U1	U4	U5
Avg % Change	-0.13	-0.10	-0.19	-0.10	0.03
Options Expiration Week: 1980-2006					
Record (#Up - #Down)	15-12	17-10	15-12	17-10	17-10
Current streak	U1	U1	U1	U1	U1
Avg % Change	0.47	0.64	0.83	0.67	0.79
Week After Options Expiration: 1980-2006					
Record (#Up - #Down)	17-10	18-9	17-10	18-9	17-10
Current streak	D2	D2	D2	D2	D2
Avg % Change	0.13	0.14	0.29	0.12	-0.18
First Trading Day Performance					
% of Time Up	47.4	50.9	52.8	46.4	46.4
Avg % Change	-0.03	-0.01	-0.16	0.001	-0.07
Last Trading Day Performance					
% of Time Up	61.4	64.9	72.2	60.7	78.6
Avg % Change	0.16	0.15	0.11	-0.03	0.14

Dow & S&P 1950-April 2007, NASDAQ 1971-April 2007, Russell 1K & 2K 1979-April 2007.

JULY/AUGUST

MONDAY

D 47.6
S 52.4
N 57.1

28

Companies which do well generally tend to report (their quarterly earnings) earlier than those which do poorly.
— Alan Abelson (Financial journalist and editor, *Barron's*)

TUESDAY

D 47.6
S 52.4
N 52.4

29

If you can buy all you want of a new issue, you do not want any; if you cannot obtain any, you want all you can buy.
— Rod Fadem (Stifel Nicolaus & Co., *Barron's* 1989)



WEDNESDAY

D 66.7
S 76.2
N 66.7

30

Only those who will risk going too far can possibly find out how far one can go.
— T.S. Eliot (English poet, essayist and critic, *The Wasteland*, 1888-1965)



THURSDAY

D 57.1
S 66.7
N 61.9

31

*If you bet on a horse, that's gambling. If you bet you can make three spades, that's entertainment.
If you bet cotton will go up three points, that's business. See the difference?* — Blackie Sherrod (Sportswriter, b. 1919)

First Trading Day in August Atrocious Dow Down 8 of Last 10

FRIDAY

D 33.3
S 42.9
N 47.6

1

The trend is your friend...until it ends. — Anonymous

SATURDAY

2

SUNDAY

3

FIRST MONTH OF QUARTERS IS THE MOST BULLISH

We have observed over the years that the investment calendar reflects the annual, semi-annual and quarterly operations of institutions during January, April and July. The opening month of the first three quarters produces the greatest gains in the Dow Jones Industrials and the S&P 500. NASDAQ's record differs slightly.

The fourth quarter had behaved quite differently since it is affected by year-end portfolio adjustments and Presidential and Congressional elections in even-numbered years. But in recent years, with October 1987 not factored in, October has transformed into a bear-killing-turnaround month, posting some mighty gains in seven of the last nine years. (See pages 152-160.)

After experiencing the most powerful bull market of all time during the 1990s, followed by the ferocious bear market early in the millennium, we divided the monthly average percent changes into two groups: before 1991 and after. Comparing the month-by-month quarterly behavior of the three major U.S. averages in the table, you'll see that first months of the first three quarters perform best overall. Nasty sell-offs in April 2000, 2002, 2004 and 2005 and July 2000-2002 and 2004, hit the NASDAQ hardest. (See pages 152-160.)

Between 1950 and 1990, the S&P 500 gained 1.3% (Dow, 1.4%) on average in first months of the first three quarters. Second months barely eked out any gain, while third months, thanks to March, moved up 0.23% (Dow, 0.07%) on average. NASDAQ's first month of the first three quarters averages 1.67% from 1971-1990 with July being a negative drag.

Since 1991 major turnarounds have helped October join the ranks of bullish first months of quarters. The once-feared month has been the bulls' latter-day savior.

DOW JONES INDUSTRIALS, S&P 500 & NASDAQ AVERAGE MONTHLY % CHANGES BY QUARTER

	DJIA 1950-1990			S&P 500 1950-1990			NASDAQ 1971-1990		
	1st Mo	2nd Mo	3rd Mo	1st Mo	2nd Mo	3rd Mo	1st Mo	2nd Mo	3rd Mo
1Q	1.5%	-0.01%	1.0%	1.5%	-0.1%	1.1%	3.8%	1.2%	0.9%
2Q	1.6	-0.4	0.1	1.3	-0.1	0.3	1.7	0.8	1.1
3Q	1.1	0.3	-0.9	1.1	0.3	-0.7	-0.5	0.1	-1.6
Tot	4.2%	-0.1%	0.2%	3.9%	0.1%	0.7%	5.0%	2.1%	0.4%
Avg	1.40%	-0.04%	0.07%	1.30%	0.03%	0.23%	1.67%	0.70%	0.13%
4Q	-0.1%	1.4%	1.7%	0.4%	1.7%	1.6%	-1.4%	1.6%	1.4%
	DJIA 1991-April 2007			S&P 500 1991-April 2007			NASDAQ 1991-April 2007		
1Q	1.0%	0.6%	0.6%	1.2%	0.02%	0.7%	3.5%	-0.4%	-0.3%
2Q	2.3	1.3	-0.5	1.4	1.2	0.2	0.4	1.2	1.4
3Q	0.9	-0.9	-1.3	0.3	-0.6	-0.5	-0.1	0.5	0.01
Tot	4.2%	1.0%	-1.2%	2.9%	0.6%	0.4%	3.8%	1.3%	1.1%
Avg	1.40%	0.33%	-0.40%	0.96%	0.21%	0.13%	1.27%	0.44%	0.37%
4Q	2.4%	2.4%	2.0%	2.3%	2.0%	2.0%	3.1%	2.9%	2.6%
	DJIA 1950-April 2007			S&P 500 1950-April 2007			NASDAQ 1971-April 2007		
1Q	1.3%	0.2%	0.9%	1.4%	-0.1%	1.0%	3.7%	0.5%	0.3%
2Q	1.8	0.1	-0.1	1.3	0.2	0.2	1.1	1.0	1.2
3Q	1.1	-0.04	-1.0	0.9	0.04	-0.6	-0.3	0.3	-0.9
Tot	4.2%	0.3%	-0.2%	3.6%	0.2%	0.6%	4.5%	1.8%	0.6%
Avg	1.40%	0.09%	-0.07%	1.20%	0.06%	0.20%	1.50%	0.60%	0.20%
4Q	0.6%	1.7%	1.8%	0.9%	1.8%	1.7%	0.6%	2.2%	1.9%

AUGUST

August is the Worst S&P since 1987
Harvesting Made August the Best Dow Month 1901-1951

MONDAY

D 57.1
S 47.6
N 38.1

4

To affect the quality of the day, that is the highest of the arts.
— Henry David Thoreau (American writer, naturalist and philosopher, 1817-1862)

TUESDAY

D 47.6
S 47.6
N 42.9

5

There are no secrets to success. Don't waste your time looking for them. Success is the result of perfection, hard work, learning from failure, loyalty to those for whom you work, and persistence.
— General Colin Powell (Chairman Joint Chiefs of Staff 1989-1993, Secretary of State 2001-2005)

WEDNESDAY

D 47.6
S 47.6
N 57.1

6

Great spirits have always encountered violent opposition from mediocre minds.
— Albert Einstein (German/American physicist, 1921 Nobel Prize, 1879-1955)

First Nine Trading Days of August are Historically Weak

THURSDAY

D 47.6
S 52.4
N 52.4

7

Life does not consist mainly of facts and happenings. It consists mainly of the storm of thoughts that are forever blowing through one's mind. — Mark Twain (1835-1910, pen name of Samuel Longhorne Clemens, American novelist and satirist)

Summer Olympics Start in Beijing

FRIDAY

D 42.9
S 47.6
N 42.9

8

When Paris sneezes, Europe catches cold. — Prince Klemens Metternich (Austrian statesman, 1773-1859)

SATURDAY

9

SUNDAY

10

AURA OF THE TRIPLE WITCH – 4TH QUARTER MOST BULLISH DOWN WEEKS TRIGGER MORE WEAKNESS WEEK AFTER

Options expire the third Friday of every month but in March, June, September and December a powerful coven gathers. Since the S&P index futures began trading on April 21, 1982, stock options, index options as well as index futures all expire at the same time four times each year — known as Triple Witching. Traders have long sought to understand and master the magic of this quarterly phenomenon.

The market is still small for fledgling single-stock futures (450 at this writing) so we do not believe the term “quadruple witching” is applicable just yet.

We have analyzed what the market does prior, during and following Triple Witching expirations in search of consistent trading patterns. This is never easy. For as soon as a pattern becomes obvious, the market almost always starts to anticipate it, and the pattern tends to shift. These are some of our findings of how the Dow Jones Industrials perform around Triple-Witching Week (TWW).

- TWWs became more bullish since 1990, except in the second quarter.
- Following weeks became more bearish. Since Q1 2000 only 9 of 28 were up and 5 occurred in December.
- TWWs have tended to be down in flat periods and dramatically so during the 2000-2002 bear market.
- DOWN WEEKS TEND TO FOLLOW DOWN TWWs is a most interesting pattern. Since 1991, of 22 down TWWs, 17 following weeks were also down. This is surprising inasmuch as the previous decade had an exactly opposite pattern: There were 13 down TWWs then, but 12 up weeks followed them.
- TWWs in the second and third quarter (Worst Six Months May through October) are much weaker and the weeks following, horrendous. But in the first and fourth quarter (Best Six Months period November through April) only the week after Q1 expiration is negative.

Throughout the Almanac you will also see notations on the performance of Mondays and Fridays of TWW as we place considerable significance on the beginnings and ends of weeks (pages 66, 68, 100, 141-144). See more in our March 2004 *Almanac Investor Newsletter* at stocktradersalmanac.com.

TRIPLE WITCHING WEEK & WEEK AFTER DOW POINT CHANGES

	Expiration Week Q1	Week After	Expiration Week Q2	Week After	Expiration Week Q3	Week After	Expiration Week Q4	Week After
1991	— 6.93	— 89.36	— 34.98	— 58.81	33.54	— 13.19	20.12	167.04
1992	40.48	— 44.95	— 69.01	— 2.94	21.35	— 76.73	9.19	12.97
1993	43.76	— 31.60	— 10.24	— 3.88	— 8.38	— 70.14	10.90	6.15
1994	32.95	—120.92	3.33	—139.84	58.54	—101.60	116.08	26.24
1995	38.04	65.02	86.80	75.05	96.85	— 33.42	19.87	— 78.76
1996	114.52	51.67	55.78	— 50.60	49.94	— 15.54	179.53	76.51
1997	—130.67	— 64.20	14.47	—108.79	174.30	4.91	— 82.01	— 76.98
1998	303.91	—110.35	—122.07	231.67	100.16	133.11	81.87	314.36
1999	27.20	— 81.31	365.05	—303.00	— 224.80	—524.30	32.73	148.33
2000	666.41	517.49	—164.76	— 44.55	— 293.65	— 79.63	—277.95	200.60
2001	—821.21	—318.63	—353.36	— 19.05	—1369.70	611.75	224.19	101.65
2002	34.74	—179.56	—220.42	— 10.53	— 326.67	—284.57	77.61	—207.54
2003	662.26	—376.20	83.63	—211.70	173.27	—331.74	236.06	46.45
2004	— 53.48	26.37	6.31	— 44.57	— 28.61	—237.22	106.70	177.20
2005	—144.69	—186.80	110.44	—325.23	— 36.62	—222.35	97.01	7.68
2006	203.31	0.32	122.63	— 25.46	168.66	— 52.67	138.03	—102.30
2007	—165.91	370.60						
Up	11	6	9	2	9	3	14	12
Down	6	11	7	14	7	13	2	4

AUGUST

Monday Before August Expiration Dow Up 10 of Last 12

MONDAY

D 47.6
S 42.9
N 42.9

11

I've never been poor, only broke. Being poor is a frame of mind. Being broke is only a temporary situation.
— Mike Todd (Movie Producer, 1903-1958)

TUESDAY

D 57.1
S 52.4
N 52.4

12

The worst trades are generally when people freeze and start to pray and hope rather than take some action.
— Robert Mnuchin (Partner Goldman Sachs)

Mid-August Stronger than Beginning and End



WEDNESDAY

D 38.1
S 38.1
N 52.4

13

I was in search of a one-armed economist so that the guy could never make a statement and then say: "on the other hand."
— Harry S. Truman (33rd US President, 1884-1972)



THURSDAY

D 66.7
S 71.4
N 76.2

14

Knowledge born from actual experience is the answer to why one profits; lack of it is the reason one loses.
— Gerald M. Loeb (EF Hutton, *The Battle for Investment Survival*, predicted '29 Crash, 1900-1974)

*August Expiration Day Dow Up 4 in a Row
Down 10 of 13 Prior to Recent Bullishness*



FRIDAY

D 57.1
S 66.7
N 71.4

15

The worse a situation becomes the less it takes to turn it around, the bigger the upside.
— George Soros (Financier, philanthropist, political activist, author and philosopher, b. 1930)

SATURDAY

16

SUNDAY

17

2008 PRESIDENTIAL ELECTION YEAR PERSPECTIVES

ONLY ONE LOSS IN LAST SEVEN MONTHS OF ELECTION YEARS

Regardless which Party is victorious, the last 7 months have seen gains on the S&P in 13 of the 14 presidential election years since 1950. The one loss was in 2000 when the election's outcome was delayed for 36 tumultuous days, though the Dow did end higher. *Page 52.*

FIRST FIVE MONTHS BETTER WHEN PARTY RETAINS WHITE HOUSE

Since 1901 there have been 26 presidential elections. When the Party in power retained the White House 16 times, the Dow was up 1.5% on average for the first five months, compared to a 4.5% loss the 10 times the Party was ousted. Since 1950, retaining the White House 7 times brought an average gain of 1.9% compared to 0.5% the other 7 times.

PUBLIC USUALLY TIRES OF POLITICAL PARTIES AFTER TWO TERMS

Since the Roosevelt/Truman era the American public tends to “throw the rascals out” after two terms. Jimmy Carter lasted just one term after the Iranians took American hostages at our embassy in Tehran holding 52 for 444 days and inflation hit a post-WWII record on his watch. The Republicans held on for three terms in 1988 despite the Iran/Contra scandal and market crash in October 1987. A lackluster Democratic candidate in 1988 enabled the Reps to last for twelve years. Also, the election of a sitting vice-president was the first in 162 years.

WAR CAN BE A MAJOR FACTOR IN PRESIDENTIAL RACES

Democrats used to lose the White House on foreign shores (1920 WWI, 1952 Korea, 1968 Vietnam, 1980 Iran Crisis). Republicans on the other hand lost it here at home (1912 Party split, 1932 Depression, 1960 Economy, 1976 Watergate). Homeland issues dominated elections the last three decades with the Republican loss in 1992 (Economy) and the Democratic loss in 2000 (Scandal). As we've learned over the years, it all depends on who the candidates are in 2008.

MARKET BOTTOMS TWO YEARS AFTER A PRESIDENTIAL ELECTION

A takeover of the White House by the opposing party in the past 50 years (1960, 1968, 1976, 1980, 1992, 2000) has resulted in a bottom two years later, with one flat market in 1994. When incumbent parties retained power (1964, 1972, 1984, 1988, 1996, 2004) stocks often bottomed two years later as well, except 1984 (three years, 1987) and 2004 (one year, flat 2005). Whatever the outcome in 2008, we could see a bottom in 2010.

REPUBLICANS WON 7 OF 8 INCUMBENT-LESS RACES SINCE 1900

Few people are aware that when there were no incumbents running in the presidential elections since 1900, Republicans won them all (1908, 1920, 1928, 1952, 1968, 1988, and 2000) with the exception of 1960, when John Kennedy beat Richard Nixon by a 118,574 margin out of a little more than 68 million votes cast.

MARKET CHARTS OF PRESIDENTIAL ELECTION YEARS

Market behavior last 21 elections including candidates and winners. *Page 30.*

HOW THE GOVERNMENT MANIPULATES THE ECONOMY TO STAY IN POWER

Money faucets get turned on, if possible, in years divisible by “4.” *Page 34.*

INCUMBENT VICTORIES VS. INCUMBENT DEFEATS

Markets tend to be stronger when Party in power wins. *Page 36.*

AUGUST



MONDAY

D 66.7
S 71.4
N 61.9

18

The incestuous relationship between government and big business thrives in the dark.
— Jack Anderson (Washington journalist and author, *Peace, War and Politics*, b. 1922-2005)

TUESDAY

D 52.4
S 57.1
N 61.9

19

If you have an important point to make, don't try to be subtle or clever. Use a pile driver. Hit the point once. Then come back and hit it again. Then hit it a third time — a tremendous whack. — Winston Churchill (British statesman, 1874-1965)

Beware the "Summer Rally" Hype
Historically the Weakest Rally of all Seasons (Page 70)

WEDNESDAY

D 57.1
S 57.1
N 47.6

20

The way a young man spends his evenings is a part of that thin area between success and failure.
— Robert R. Young (US financier and railroad tycoon, 1897-1958)

THURSDAY

D 42.9
S 47.6
N 57.1

21

Show me a good phone receptionist and I'll show you a good company. — Harvey Mackay (*Pushing the Envelope*, 1999)



FRIDAY

D 57.1
S 66.7
N 52.4

22

Major bottoms are usually made when analysts cut their earnings estimates and companies report earnings which are below expectations. — Edward Babbitt, Jr. (Avatar Associates)

SATURDAY

23

SUNDAY

24

A CORRECTION FOR ALL SEASONS

While there's a rally for every season (page 70), almost always there's a decline or correction, too. Fortunately, corrections tend to be smaller than rallies, and that's what gives the stock market its long-term upward bias. In each season the average bounce outdoes the average setback. On average the net gain between the rally and the correction is smallest in summer and fall.

The summer setback tends to be slightly outdone by the average correction in the fall. Tax selling and portfolio cleaning are the usual explanations — individuals sell to register a tax loss and institutions like to get rid of their losers before preparing year-end statements. The October jinx also plays a major part. Since 1964, there have been 16 fall declines of over 10%, and in nine of them (1966, 1974, 1978, 1979, 1987, 1990, 1997, 2000 and 2002) much damage was done in October, where so many bear markets end. Recent October lows were also seen in 1998, 1999, 2004 and 2005. Most often, it has paid to buy after fourth quarter or late third quarter “waterfall declines” for a rally that may continue into January or even beyond. War in Iraq affected the pattern in 2003. Anticipation of our invasion put the market down in the first quarter. Quick success inspired the bulls which resumed their upward move through the summer.

SEASONAL CORRECTIONS IN DOW JONES INDUSTRIALS

	WINTER SLUMP Nov/Dec High to Q1 Low	SPRING SLUMP Feb/Mar High to Q2 Low	SUMMER SLUMP May/Jun High to Q3 Low	FALL SLUMP Aug/Sep High to Q4 Low
1964	- 0.1%	- 2.4%	- 1.0%	- 2.1%
1965	- 2.5	- 7.3	- 8.3	- 0.9
1966	- 6.0	- 13.2	- 17.7	- 12.7
1967	- 4.2	- 3.9	- 5.5	- 9.9
1968	- 8.8	- 0.3	- 5.5	+ 0.4
1969	- 8.7	- 8.7	- 17.2	- 8.1
1970	- 13.8	- 20.2	- 8.8	- 2.5
1971	- 1.4	- 4.8	- 10.7	- 13.4
1972	- 0.5	- 2.6	- 6.3	- 5.3
1973	- 11.0	- 12.8	- 10.9	- 17.3
1974	- 15.3	- 10.8	- 29.8	- 27.6
1975	- 6.3	- 5.5	- 9.9	- 6.7
1976	- 0.2	- 5.1	- 4.7	- 8.9
1977	- 8.5	- 7.2	- 11.5	- 10.2
1978	- 12.3	- 4.0	- 7.0	- 13.5
1979	- 2.5	- 5.8	- 3.7	- 10.9
1980	- 10.0	- 16.0	- 1.7	- 6.8
1981	- 6.9	- 5.1	- 18.6	- 12.9
1982	- 10.9	- 7.5	- 10.6	- 3.3
1983	- 4.1	- 2.8	- 6.8	- 3.6
1984	- 11.9	- 10.5	- 8.4	- 6.2
1985	- 4.8	- 4.4	- 2.8	- 2.3
1986	- 3.3	- 4.7	- 7.3	- 7.6
1987	- 1.4	- 6.6	- 1.7	- 36.1
1988	- 6.7	- 7.0	- 7.6	- 4.5
1989	- 1.7	- 2.4	- 3.1	- 6.6
1990	- 7.9	- 4.0	- 17.3	- 18.4
1991	- 6.3	- 3.6	- 4.5	- 6.3
1992	+ 0.1	- 3.3	- 5.4	- 7.6
1993	- 2.7	- 3.1	- 3.0	- 2.0
1994	- 4.4	- 9.6	- 4.4	- 7.1
1995	- 0.8	- 0.1	- 0.2	- 2.0
1996	- 3.5	- 4.6	- 7.5	+ 0.2
1997	- 1.8	- 9.8	- 2.2	- 13.3
1998	- 7.0	- 3.1	- 18.2	- 13.1
1999	- 2.7	- 1.7	- 8.0	- 11.5
2000	- 14.8	- 7.4	- 4.1	- 11.8
2001	- 14.5	- 13.6	- 27.4	- 16.2
2002	- 5.1	- 14.2	- 26.7	- 19.5
2003	- 15.8	- 5.3	- 3.1	- 2.1
2004	- 3.9	- 7.7	- 6.3	- 5.7
2005	- 4.5	- 8.5	- 3.3	- 4.5
2006	- 2.4	- 5.4	- 7.8	- 0.4
2007	- 3.7			
Totals	-265.5%	-286.6%	-376.5%	-380.7 %
Average	- 6.0%	- 6.7%	- 8.8%	- 8.9 %

Democratic National Convention Begins in Denver

MONDAY

D 52.4
S 52.4
N 57.1

25

A realist believes that what is done or left undone in the short run determines the long run.
— Sydney J. Harris (American journalist and author, 1917-1986)

Last 5 Days of August Much Better, Up 4 Years in a Row

TUESDAY

D 47.6
S 52.4
N 57.1

26

The whole problem with the world is that fools and fanatics are always so certain of themselves, but wiser people so full of doubts. — Bertrand Russell (British mathematician and philosopher, 1872-1970)

WEDNESDAY

D 57.1
S 57.1
N 61.9

27

In order to be great writer (or “investor”) a person must have a built-in, shockproof crap detector.
— Ernest Hemingway (American writer, 1954 Nobel Prize, 1899-1961)

August's Next to Last Day S&P Up Only Once Last 11 Years



THURSDAY

D 28.6
S 33.3
N 57.1

28

Companies that announce mass layoffs or a series of firings under perform the stock market over a three-year period.
— Bain & Company (*Smart Money Magazine*, August 2001)

FRIDAY

D 47.6
S 52.4
N 66.7

29

I'm always turned off by an overly optimistic letter from the president in the annual report. If his letter is mildly pessimistic to me, that's a good sign. — Philip Carret (Centenarian, Founded Pioneer Fund in 1928, 1896-1998)

September Almanac Investor Seasonalities: see Pages 114 & 116

SATURDAY

30

*Shortest Bear Market in History (45 Days) Ended 8/31/98
S&P Lost 19.3%*

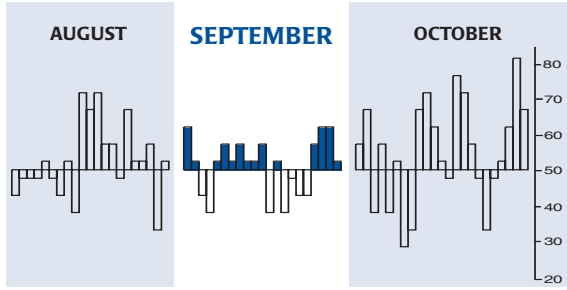
SUNDAY

31

SEPTEMBER ALMANAC

SEPTEMBER						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

OCTOBER						
S	M	T	W	T	F	S
		1	2	3	4	
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	



Market Probability Chart above is a graphic representation of the S&P 500 Recent Market Probability Calendar on page 124.

- ◆ Start of business year, end of vacations, and back to school made September a leading barometer month in first 60 years of 20th century, now portfolio managers back after Labor Day tend to clean house
- ◆ Biggest % loser on the S&P, Dow and NASDAQ (pages 44 & 56)
- ◆ Streak of four great Dow Septembers averaging 4.2% gains ended in 1999 with six losers in a row averaging -5.9% (see page 152), up two straight since
- ◆ Day after Labor Day Dow up 11 of last 13
- ◆ Opened strong nine of last twelve years but tends to close weak due to end-of-quarter mutual fund portfolio restructuring
- ◆ September Triple-Witching Week is dangerous, week after pitiful (see page 76)

September Vital Statistics

	DJIA	S&P 500	NASDAQ	Russell 1K	Russell 2K
Rank	12	12	12	12	11
Up	21	24	19	13	15
Down	36	32	17	15	13
Avg % Change	-1.0%	-0.6%	-0.9%	-0.9%	-0.7%
Election Year	-0.2%	0.3%	0.8%	1.3%	1.7%
Best & Worst September					
	% Change	% Change	% Change	% Change	% Change
Best	1954 7.3	1954 8.3	1998 13.0	1998 6.5	1998 7.6
Worst	2002 -12.4	1974 -11.9	2001 -17.0	2002 -10.9	2001 -13.6
Best & Worst September Weeks					
Best	9/28/01 7.4	9/28/01 7.8	9/20/74 5.7	9/28/01 7.6	9/28/01 6.9
Worst	9/21/01 -14.3	9/21/01 -11.6	9/21/01 -16.1	9/21/01 -11.7	9/21/01 -14.0
Best & Worst September Days					
Best	9/8/98 5.0	9/8/98 5.1	9/8/98 6.0	9/8/98 5.0	9/8/98 4.3
Worst	9/17/01 -7.1	9/26/55 -6.6	9/17/01 -6.8	9/17/01 -5.0	9/17/01 -5.2
First Trading Day of Expiration Week: 1980-2006					
Record (#Up - #Down)	18-9	15-12	10-17	15-12	10-17
Current streak	U3	U1	U3	U1	D1
Avg % Change	-0.01	-0.06	-0.36	-0.09	-0.23
Options Expiration Day: 1980-2006					
Record (#Up - #Down)	12-15	14-13	17-10	14-13	17-10
Current streak	U3	U3	U3	U3	U2
Avg % Change	-0.12	0.01	0.02	-0.01	0.04
Options Expiration Week: 1980-2006					
Record (#Up - #Down)	13-14	14-13	13-14	14-13	12-15
Current streak	U1	U1	U1	U1	U1
Avg % Change	-0.76	-0.49	-0.56	-0.50	-0.61
Week After Options Expiration: 1980-2006					
Record (#Up - #Down)	10-17	8-19	12-15	8-19	10-17
Current streak	D5	D5	D5	D5	D5
Avg % Change	-0.58	-0.51	-0.74	-0.51	-1.00
First Trading Day Performance					
% of Time Up	63.2	64.9	55.6	53.6	50.0
Avg % Change	0.05	0.02	-0.02	-0.03	0.02
Last Trading Day Performance					
% of Time Up	40.4	43.9	52.8	53.6	71.4
Avg % Change	-0.18	-0.12	-0.10	-0.05	0.41

Dow & S&P 1950-April 2007, NASDAQ 1971-April 2007, Russell 1K & 2K 1979-April 2007.

SEPTEMBER

Labor Day (Market Closed)

Republican National Convention Begins in St. Paul

MONDAY

1

The key to long-term profits on Wall Street is not making big killings, it's not getting killed. — Daniel Turov (*Turov on Timing*)

*First Trading Day September Dow Down 3 of Last 5 After a 7-Year Bull Run
Day After Labor Day Dow Up 11 of Last 13 — Crushed in 2002 Off 4.1%*



TUESDAY

D 52.4
S 61.9
N 57.1

2

[Look for companies] where the executives have a good ownership position — not only options, but outright ownership — so that they will ride up and down with the shareholder. — George Roche (Chairman, T. Rowe Price, *Barron's* 12/18/06)

WEDNESDAY

D 61.9
S 52.4
N 66.7

3

Among the simplest truths is that market risk tends to be unusually rewarding when market valuations are low and interest rates are falling. — John P. Hussman, Ph.D. (*Hussman Funds*, 5/22/06)

THURSDAY

D 47.6
S 42.9
N 47.6

4

When everyone starts downgrading a stock, it's usually time to buy.

— Meryl Witmer (General partner, Eagle Capital Partners, *Barron's* 1/29/07)



FRIDAY

D 33.3
S 38.1
N 57.1

5

Liberties voluntarily forfeited are not easily retrieved. All the more so for those that are removed surreptitiously.
— Ted Koppel (Newsman, managing editor Discovery Channel, *NY Times* Op-Ed 11/6/06, b. 1940)

SATURDAY

6

SUNDAY

7

MARKET BEHAVIOR THREE DAYS BEFORE AND THREE DAYS AFTER HOLIDAYS

The *Stock Trader's Almanac* has tracked holiday seasonality annually since the first edition in 1968. Stocks used to rise on the day before holidays and sell off the day after, but nowadays each holiday moves to its own rhythm. Eight holidays are separated into seven groups. Average percent changes for the Dow, S&P 500, NASDAQ and Russell 2000 are shown.

The Dow and S&P consist of blue chips and the largest cap stocks, whereas NASDAQ and the Russell 2000 would be more representative of smaller cap stocks. This is evident on the last day of the year with NASDAQ and the Russell 2000 having a field day, while their larger brethren in the Dow and S&P are showing losses on average.

Thanks to the Santa Claus Rally the three days before and after New Year's Day and Christmas are best. NASDAQ and the Russell 2000 average gains of 1.4% to 1.9% over the six-day spans. However, trading around the first day of the year has been mixed. Traders have been selling more the first trading day of the year recently, pushing gains and losses into the New Year.

Bullishness before Labor Day and after Memorial Day is affected by strength the first day of September and June. The worst day after a holiday is the day after Easter. Surprisingly, the following day is one of the best second days after a holiday, right up there with the second day after New Year's Day.

Presidents' Day is the least bullish of all the holidays, bearish the day before and three days after. The S&P and NASDAQ have dropped 14 of the last 16 days before Presidents' Day (Dow, 12 of 16; Russell 2000, 10 of 16).

HOLIDAYS: 3 DAYS BEFORE, 3 DAYS AFTER (Average % Change 1980 – April 2007)

	— 3	— 2	— 1	Mixed	+1	+2	+3
S&P 500	0.14	0.22	— 0.14	New Year's	0.02	0.44	0.09
DJIA	0.09	0.16	— 0.21	Day	0.21	0.46	0.24
NASDAQ	0.28	0.27	0.24	<i>1/1/08</i>	— 0.02	0.84	0.29
Russell 2K	0.36	0.37	0.52		— 0.15	0.42	0.16
S&P 500	0.36	— 0.03	— 0.26	Negative Before & After	— 0.13	— 0.05	— 0.10
DJIA	0.37	0.001	— 0.18	Presidents'	— 0.06	— 0.10	— 0.14
NASDAQ	0.56	0.24	— 0.44	Day	— 0.52	— 0.01	— 0.04
Russell 2K	0.40	0.09	— 0.14	<i>2/18/08</i>	— 0.37	— 0.08	— 0.03
S&P 500	0.15	— 0.02	0.21	Positive Before &	— 0.32	0.45	0.12
DJIA	0.14	— 0.05	0.14	Negative After	— 0.21	0.45	0.11
NASDAQ	0.46	0.30	0.35	Good Friday	— 0.53	0.44	0.27
Russell 2K	0.22	0.13	0.28	<i>3/21/08</i>	— 0.50	0.37	0.11
S&P 500	0.14	0.02	0.06	Positive Day After	0.27	0.22	0.22
DJIA	0.12	— 0.03	— 0.003	Memorial	0.35	0.24	0.15
NASDAQ	0.21	0.24	0.04	Day	0.07	— 0.003	0.47
Russell 2K	— 0.03	0.26	0.17	<i>5/26/08</i>	0.06	0.16	0.40
S&P 500	0.08	0.80	0.10	Negative After	— 0.18	— 0.04	0.08
DJIA	0.06	0.06	0.07	Independence	— 0.12	— 0.01	0.04
NASDAQ	0.22	0.11	0.08	Day	— 0.22	— 0.20	0.27
Russell 2K	0.23	— 0.05	0.05	<i>7/4/08</i>	— 0.18	— 0.20	0.06
S&P 500	— 0.03	— 0.32	0.21	Positive Day Before	0.06	0.001	— 0.10
DJIA	— 0.03	— 0.38	0.22	Labor	0.15	0.09	— 0.20
NASDAQ	0.22	— 0.05	0.22	Day	— 0.08	— 0.19	0.09
Russell 2K	0.37	0.02	0.18	<i>9/1/08</i>	0.02	— 0.04	0.10
S&P 500	— 0.04	0.04	0.25	Positive Before & After	0.21	— 0.22	0.15
DJIA	0.04	0.06	0.29	Thanksgiving	0.16	— 0.18	0.20
NASDAQ	— 0.18	— 0.22	0.37	<i>11/27/08</i>	0.57	— 0.24	— 0.05
Russell 2K	— 0.09	— 0.13	0.29		0.44	— 0.22	0.05
S&P 500	0.19	0.17	0.19	Christmas	0.15	0.11	0.29
DJIA	0.26	0.25	0.25	<i>12/25/08</i>	0.20	0.10	0.25
NASDAQ	— 0.14	0.44	0.45		0.10	0.23	0.36
Russell 2K	0.17	0.35	0.38		0.17	0.36	0.48

SEPTEMBER

MONDAY

D 47.6
S 52.4
N 61.9

8

Regardless of current economic conditions, it's always best to remember that the stock market is a barometer and not a thermometer. — Yale Hirsch

TUESDAY

D 47.6
S 57.1
N 57.1

9

Things may come to those who wait, but only the things left by those who hustle.
— Abraham Lincoln (16th US President, 1809-1865)

WEDNESDAY

D 61.9
S 52.4
N 57.1

10

Small business has been the first rung on the ladder upward for every minority group in the nation's history.
— S. I. Hayakawa (1947, US Senator California 1977-1983, 1906-1992)

**2001 4-Day Market Closing Longest Since
9-Day Banking Moratorium in March 1933**

THURSDAY

D 61.9
S 57.1
N 61.9

11



"In Memory"

The soul is dyed the color of its thoughts. Think only on those things that are in line with your principles and can bear the light of day. The content of your character is your choice. Day by day, what you do is who you become.
— Heraclitus (Greek philosopher, 535-475 BC)

FRIDAY

D 47.6
S 52.4
N 57.1

12

The universal line of distinction between the strong and the weak is that one persists, while the other hesitates, falters, trifles and at last collapses or caves in. — Edwin Percy Whipple (American essayist, 1819-1886)

SATURDAY

13

SUNDAY

14

MARKET GAINS MORE ON SUPER-8 DAYS EACH MONTH THAN ON ALL 13 REMAINING DAYS COMBINED

For many years the last day plus the first four days were the best days of the month. The market currently exhibits greater bullish bias from the last three trading days of the previous month through the first two days of the current month, and now shows significant bullishness during the middle three trading days, nine to eleven, due to 401(k) cash inflows (see pages 145 and 146). This pattern was not as pronounced during the boom years of the 1990s, with market strength all month long. It returned from 2001 to 2002 with monthly bullishness at the ends, beginnings and middles of months versus weakness during the rest of the month. Was 1999's "rest of month" heavy bullishness a bearish omen and 2002's "rest of month" large losses a bullish sign? Could early 2007's "rest of month" strength be indicating a reversal?

SUPER-8 DAYS* DOW % CHANGES VS. REST OF MONTH

	Super 8 Days		Rest of Month			Super 8 Days		Rest of Month			Super 8 Days		Rest of Month	
	1999	2000	2001	2002		2003	2004	2005	2006		2007			
Jan	0.98%	0.08%	-4.09%	0.47%		2.13%	-2.36%							
Feb	0.76	1.62	0.43	-9.10		1.41	-3.36							
Mar	-0.68	3.74	2.76	5.62		-1.50	-3.30							
Apr	2.84	7.09	-2.79	4.77		-2.61	9.56							
May	-0.83	-1.92	0.71	-7.86		2.02	1.53							
Jun	0.20	0.01	5.99	-4.10		-2.46	-2.45							
Jul	5.87	-1.74	-0.65	0.83		2.16	-2.29							
Aug	-0.35	2.41	3.08	3.75		0.24	-2.48							
Sep	-5.83	-2.32	-3.27	-2.34		-3.62	-12.05							
Oct	-2.86	2.97	-0.85	-1.47		4.51	5.36							
Nov	4.25	2.45	5.81	-4.06		1.01	2.48							
Dec	0.29	3.92	-2.96	4.44		0.19	1.99							
Totals	4.64%	18.31%	4.17%	-9.05%		3.48%	-7.37%							
Average	0.39%	1.53%	0.35%	-0.75%		0.29%	-0.61%							
	2002		2003			2004					2005		2006	
Jan	-1.92%	-0.24%	1.00%	-4.86%		3.79%	-1.02%				-1.96%	-1.35%	-0.03%	0.34%
Feb	-1.41	4.27	2.71	-4.82		-1.20	0.83				1.76	-0.07	1.67	0.71
Mar	4.11	-2.64	5.22	-0.90		-1.64	-1.69				0.31	-2.05	0.81	-0.03
Apr	-2.46	0.08	2.87	-1.91		3.20	-0.60				-4.62	1.46	1.69	-0.53
May	3.62	-4.07	3.17	2.46		-2.92	-0.51				0.57	2.43	-0.66	0.08
Jun	-2.22	-6.51	3.09	-0.38		1.15	1.36				1.43	-3.00	2.39	-4.87
Jul	-5.04	-4.75	1.18	1.64		-1.91	-0.88				0.96	1.83	1.65	0.07
Aug	2.08	4.59	-0.74	1.55		0.51	0.40				1.36	-3.07	1.83	0.41
Sep	-6.58	-5.00	3.58	-3.47		0.47	-2.26				0.90	-0.31	1.13	1.64
Oct	8.48	-1.50	2.87	1.41		0.85	-1.82				1.14	-2.18	1.58	2.59
Nov	4.74	4.99	-0.47	0.48		3.08	3.20				1.67	3.89	-0.01	-0.31
Dec	-0.76	-0.02	2.10	3.70		2.03	1.13				0.57	-1.96	2.40	-0.05
Totals	2.64%	-18.80%	26.58%	-5.10%		7.41%	-1.86%				4.09%	-4.37%	14.45%	0.04%
Average	0.22%	-1.57%	2.22%	-0.43%		0.62%	-0.16%				0.34%	-0.36%	1.20%	0.003%
	2005		2006			2007					2005		2006	
Jan	-1.96%	-1.35%	-0.03%	0.34%		0.68%	-0.04%				-1.96%	-1.35%	-0.03%	0.34%
Feb	1.76	-0.07	1.67	0.71		3.02	-1.72				1.76	-0.07	1.67	0.71
Mar	0.31	-2.05	0.81	-0.03		-5.51	3.64				0.31	-2.05	0.81	-0.03
Apr	-4.62	1.46	1.69	-0.53		2.66	2.82				-4.62	1.46	1.69	-0.53
May	0.57	2.43	-0.66	0.08							0.57	2.43	-0.66	0.08
Jun	1.43	-3.00	2.39	-4.87							1.43	-3.00	2.39	-4.87
Jul	0.96	1.83	1.65	0.07							0.96	1.83	1.65	0.07
Aug	1.36	-3.07	1.83	0.41							1.36	-3.07	1.83	0.41
Sep	0.90	-0.31	1.13	1.64							0.90	-0.31	1.13	1.64
Oct	1.14	-2.18	1.58	2.59							1.14	-2.18	1.58	2.59
Nov	1.67	3.89	-0.01	-0.31							1.67	3.89	-0.01	-0.31
Dec	0.57	-1.96	2.40	-0.05							0.57	-1.96	2.40	-0.05
Totals	4.09%	-4.37%	14.45%	0.04%		0.85%	4.71%				4.09%	-4.37%	14.45%	0.04%
Average	0.34%	-0.36%	1.20%	0.003%		0.21%	1.18%				0.34%	-0.36%	1.20%	0.003%

	Super-8 Days*		Rest of Month (13 Days)	
100	Net % Changes	68.31%	Net % Changes	-23.49%
Month	Average Period	0.68%	Average Period	-0.23%
Totals	Average Day	0.09%	Average Day	-0.02%

* Super 8 Days = Last 3 + First 2 + Middle 3

SEPTEMBER

Monday Before September Triple Witching Dow Up 4 of Last 5

MONDAY

D 52.4
S 52.4
N 23.8

15

Genius is the ability to put into effect what is in your mind. — F. Scott Fitzgerald (author, 1896-1940)

TUESDAY

D 47.6
S 57.1
N 47.6

16

Anytime there is change there is opportunity. So it is paramount that an organization get energized rather than paralyzed.
— Jack Welch (GE CEO, *Fortune*)

Expiration Week 2001 Dow Off 1369.70 Points
Worst Weekly Dow Point Loss Ever



WEDNESDAY

D 23.8
S 38.1
N 52.4

17

Securities pricing is, in every sense a psychological phenomenon that arises from the interaction of human beings with fear. Why not greed and fear as the equation is usually stated? Because greed is simply fear of not having enough.
— John Bollinger (Bollinger Capital Management, *Capital Growth Letter*, *Bollinger on Bollinger Bands*)

THURSDAY

D 47.6
S 52.4
N 66.7

18

Wall Street has a uniquely hysterical way of thinking the world will end tomorrow but be fully recovered in the long run, then a few years later believing the immediate future is rosy but that the long term stinks. — Kenneth L. Fisher (*Wall Street Waltz*)

September Triple Witching Dow Up 3 Straight
Back-to-back 100+ Point Losses 2000-01



FRIDAY

D 33.3
S 38.1
N 42.9

19

The price of a stock varies inversely with the thickness of its research file.
— Martin Sosnoff (Atalanta/Sosnoff Capital, *Silent Investor*, *Silent Loser*)

SATURDAY

20

SUNDAY

21

SELL ROSH HASHANAH, BUY YOM KIPPUR, SELL PASSOVER

Our headline above may surprise some investors who vaguely remember the old saying on the Street, “Buy Rosh Hashanah, Sell Yom Kippur.” Though it had a good record at one time, it stopped working in the middle of the last century. Still, it gets tossed around every autumn when the “high holidays” are on the minds of traders as many of their Jewish colleagues take off to observe the Jewish New Year and Day of Atonement. It’s not unlike the “Summer Rally,” which gets mentioned every year despite the fact (page 70) that it’s the worst season for stock prices.

The basis for the new pattern is that with many traders and investors busy with religious observance and family, positions are closed out and volume fades creating a buying vacuum. Holiday seasonality around official market holidays is something we pay close attention to (page 84). Actual stats on the most observed Hebrew holidays have been compiled in the table here.

ROSH HASHANAH TO YOM KIPPUR					YOM KIPPUR TO PASSOVER		
Rosh	Dow	Yom	Dow	%	Next Year	Dow	%
Hashanah	Close*	Kippur	Close*	Change	Passover	Close*	Change
1971	Sep 20	Sep 29	883.83	-2.4%	Mar 30	940.70	6.4%
1972	Sep 9	Sep 18	945.36	-1.7%	Apr 17	953.42	0.9%
1973	Sep 27	Oct 6	971.25	1.9%	Apr 7	847.54	-12.7%
1974	Sep 17	Sep 26	637.98	-1.7%	Mar 27	770.26	20.7%
1975	Sep 6	Sep 15	803.19	-3.9%	Apr 15	980.48	22.1%
1976	Sep 25	Oct 4	977.98	-3.1%	Apr 3	927.36	-5.2%
1977	Sep 13	Sep 22	839.41	-1.8%	Apr 22	812.80	-3.2%
1978	Oct 2	Oct 11	901.42	3.4%	Apr 12	870.50	-3.4%
1979	Sep 22	Oct 1	872.95	-2.3%	Apr 1	784.47	-10.1%
1980	Sep 11	Sep 20	963.74	2.4%	Apr 19	1005.58	4.3%
1981	Sep 29	Oct 8	878.14	3.6%	Apr 8	842.94	-4.0%
1982	Sep 18	Sep 27	920.90	0.4%	Mar 29	1131.19	22.8%
1983	Sep 8	Sep 17	1225.71	-1.6%	Apr 17	1164.57	-5.0%
1984	Sep 27	Oct 6	1182.53	-2.8%	Apr 6	1259.05	6.5%
1985	Sep 16	Sep 25	1312.05	0.2%	Apr 24	1831.72	39.6%
1986	Oct 4	Oct 13	1798.37	1.4%	Apr 14	2252.98	25.3%
1987	Sep 24	Oct 3	2640.99	2.9%	Apr 2	1988.06	-24.7%
1988	Sep 12	Sep 21	2090.50	0.9%	Apr 20	2377.38	13.7%
1989	Sep 30	Oct 9	2791.41	3.7%	Apr 11	2729.73	-2.2%
1990	Sep 20	Sep 29	2452.48	-2.6%	Mar 31	2913.86	18.8%
1991	Sep 9	Sep 18	3017.89	0.4%	Apr 18	3366.50	11.6%
1992	Sep 28	Oct 7	3152.25	-3.8%	Apr 6	3377.57	7.1%
1993	Sep 16	Sep 25	3543.11	-2.4%	Mar 27	3774.73	6.5%
1994	Sep 6	Sep 15	3953.88	1.4%	Apr 15	4208.18	6.4%
1995	Sep 25	Oct 4	4740.67	-0.6%	Apr 4	5682.88	19.9%
1996	Sep 14	Sep 23	5894.74	1.0%	Apr 22	6833.59	15.9%
1997	Oct 2	Oct 11	8045.21	0.2%	Apr 11	8994.86	11.8%
1998	Sep 21	Sep 30	7842.62	-1.1%	Apr 1	9832.51	25.4%
1999	Sep 11	Sep 20	10823.90	-1.9%	Apr 20	10844.05	0.2%
2000	Sep 30	Oct 9	10568.43	-0.8%	Apr 8	9791.09	-7.4%
2001	Sep 18	Sep 27	8681.42	-2.5%	Mar 28	10403.94	19.8%
2002	Sep 7	Sep 16	8380.18	-0.6%	Apr 17	8337.65	-0.5%
2003	Sep 27	Oct 6	9594.98	3.0%	Apr 6	10570.81	10.2%
2004	Sep 16	Sep 25	10047.24	-1.9%	Apr 24	10157.71	1.1%
2005	Oct 4	Oct 13	10216.59	-2.2%	Apr 13	11137.65	9.0%
2006	Sep 23	Oct 2	11670.35	1.4%	Apr 3	12510.30	7.2%
Bold=Saturday or Sunday				Average	-0.4%		
* If on Saturday or Sunday prior close is used				# Up	16		25
				# Down	20		11

We present the data back to 1971 and when the holiday falls on a weekend the prior market close is used. It’s no coincidence that Rosh Hashanah and Yom Kippur fall in September and/or October, two dangerous and opportune months. We then took it a step further and calculated the return from Yom Kippur to Passover, which conveniently occurs in March or April, right near the end of our “Best Six Months” strategy.

Perhaps it’s Talmudic wisdom but, selling stocks before the eight-day span of the high holidays has avoided many declines, especially during uncertain times. While being long Yom Kippur to Passover has produced more than twice as many advances, averaging gains of 7.1%. It often pays to be a contrarian when old bromides are tossed around, *buying* instead of *selling* Yom Kippur.

SEPTEMBER

MONDAY

D 38.1
S 47.6
N 52.4

22

There is always plenty of capital for those who can create practical plans for using it.

— Napoleon Hill (Author, *Think and Grow Rich*, 1883-1970)

Week After September Triple Witching Aweful — Dow Down 14 of Last 17

TUESDAY

D 38.1
S 42.9
N 47.6

23

Our philosophy here is identifying change, anticipating change. Change is what drives earnings growth, and if you identify the underlying change, you recognize the growth before the market, and the deceleration of that growth.

— Peter Vermilye (Baring America Asset management, 1987)

WEDNESDAY

D 47.6
S 42.9
N 42.9

24

Your emotions are often a reverse indicator of what you ought to be doing. — John F. Hindelong (Dillon, Reed)

Historically September has Closed Poorly

THURSDAY

D 57.1
S 57.1
N 52.4

25

Keep away from people who try to belittle your ambitions. Small people always do that, but the really great make you feel that you, too, can become great.

— Mark Twain (1835-1910, pen name of Samuel Longhorne Clemens, American novelist and satirist)



FRIDAY

D 57.1
S 61.9
N 42.9

26

A day will come when all nations on our continent will form a European brotherhood...

A day will come when we shall see...the United States of Europe...reaching out for each other across the seas.

— Victor Hugo (French novelist, playwright, *Hunchback of Notre Dame* and *Les Misérables*, 1802-1885)

SATURDAY

27

October Almanac Investor Seasonalities: see Pages 114 & 116

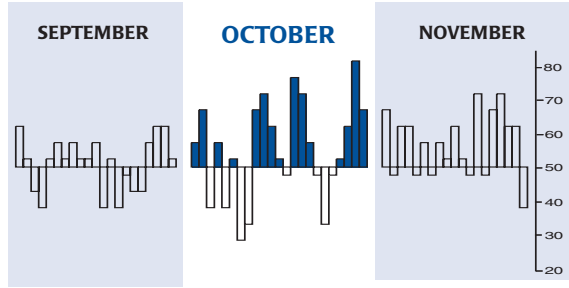
SUNDAY

28

OCTOBER ALMANAC

OCTOBER						
S	M	T	W	T	F	S
	1	2	3	4		
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

NOVEMBER						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						



Market Probability Chart above is a graphic representation of the S&P 500 Recent Market Probability Calendar on page 124.

- ◆ Known as the jinx month because of crashes in 1929, 1987, the 554-point drop on October 27, 1997, back-to-back massacres in 1978 and 1979 and Friday the 13th in 1989
- ◆ Yet October is a “bear killer” and turned the tide in eleven post-WWII bear markets: 1946, 1957, 1960, 1962, 1966, 1974, 1987, 1990, 1998, 2001 and 2002
- ◆ Worst six months of the year ends with October (page 48)
- ◆ No longer worst month (pages 44 & 56)
- ◆ Best Dow & S&P month last 10 years
- ◆ October is a great time to buy
- ◆ Big October gains five years 1999-2003 after atrocious Septembers
- ◆ Can get into Best Six Months earlier using MACD (page 50)

October Vital Statistics

	DJIA	S&P 500	NASDAQ	Russell 1K	Russell 2K
Rank	7	6	7	6	10
Up	33	34	19	18	15
Down	24	23	17	10	13
Avg % Change	0.6%	0.9%	0.6%	1.1%	-0.4%
Election Year	0.3%	0.6%	-0.1%	1.0%	-0.1%
Best & Worst October					
	% Change	% Change	% Change	% Change	% Change
Best	1982 10.7	1974 16.3	1974 17.2	1982 11.3	1982 14.1
Worst	1987 -23.2	1987 -21.8	1987 -27.2	1987 -21.9	1987 -30.8
Best & Worst October Weeks					
Best	10/11/74 12.6	10/11/74 14.1	10/11/74 9.5	10/16/98 7.6	10/16/98 7.7
Worst	10/23/87 -13.2	10/23/87 -12.2	10/23/87 -19.2	10/23/87 -12.9	10/23/87 -20.4
Best & Worst October Days					
Best	10/21/87 10.2	10/21/87 9.1	10/13/00 7.9	10/21/87 8.9	10/21/87 7.6
Worst	10/19/87 -22.6	10/19/87 -20.5	10/19/87 -11.4	10/19/87 -19.0	10/19/87 -12.5
First Trading Day of Expiration Week: 1980-2006					
Record (#Up - #Down)	23-4	21-6	20-7	22-5	23-4
Current streak	U7	U5	U5	U5	U17
Avg % Change	0.67	0.60	0.41	0.57	0.35
Options Expiration Day: 1980-2006					
Record (#Up - #Down)	3-14	14-13	15-12	14-13	13-14
Current streak	D2	U3	U3	U3	D1
Avg % Change	-0.13	-0.25	-0.13	-0.24	-0.05
Options Expiration Week: 1980-2006					
Record (#Up - #Down)	18-9	18-9	15-12	18-9	16-11
Current streak	U1	U1	D1	U1	D3
Avg % Change	0.63	0.63	0.72	0.62	0.46
Week After Options Expiration: 1980-2006					
Record (#Up - #Down)	11-16	10-17	13-14	10-17	11-16
Current streak	U2	U2	U3	U2	U2
Avg % Change	-0.61	-0.59	-0.62	-0.60	-0.73
First Trading Day Performance					
% of Time Up	49.1	49.1	50.0	53.6	50.0
Avg % Change	0.13	0.13	-0.01	0.45	-0.07
Last Trading Day Performance					
% of Time Up	54.4	56.1	69.4	64.3	75.0
Avg % Change	0.11	0.21	0.65	0.52	0.72

Dow & S&P 1950-June 2006, NASDAQ 1971-June 2006, Russell 1K & 2K 1979-June 2006.

SEPTEMBER/OCTOBER

Q3 End Brings Institutional Portfolio Window Dressing & Heavy Selling



MONDAY

D 57.1
S 61.9
N 52.4

29

Bankruptcy was designed to forgive stupidity, not reward criminality.

— William P. Barr (Verizon General Counsel, calling for government liquidation of MCI-WorldCom in Chap. 7, 4/14/2003)

Rosh Hashanah

TUESDAY

D 47.6
S 52.4
N 57.1

30

Marketing is our No. 1 priority... A marketing campaign isn't worth doing unless it serves three purposes.

It must grow the business, create news, and enhance our image. — James Robinson III (American Express)

*First Trading Day in October Dow Down 2 in a Row
After Being Up 4.6% 2002, 2.1% 2003, 1.1% 2004*

WEDNESDAY

D 61.9
S 57.1
N 52.4

1

When you get to the end of your rope, tie a knot and hang on. — Franklin D. Roosevelt (32nd US President, 1882-1945)

*October Ends Dow & S&P "Worst Six Months" (Pages 44, 48, 50 & 147)
& NASDAQ "Worst Four Months" (Pages 56, 58 & 148)*



THURSDAY

D 52.4
S 66.7
N 61.9

2

Good luck is what happens when preparation meets opportunity, bad luck is what happens when

lack of preparation meets a challenge. — Paul Krugman (Economist, NY Times Op-Ed March 3, 2006)



FRIDAY

D 38.1
S 38.1
N 52.4

3

All you need to succeed is a yellow pad and a pencil. — Andre Meyer (Top deal maker at Lazard Freres)

SATURDAY

4

SUNDAY

5

Evidence-Based Technical Analysis: Applying the Scientific Method and Statistical Inference to Trading Signals

By David Aronson

THE BEST INVESTMENT BOOK OF THE YEAR

Reviewed by Yale Hirsch

An endorsement by Victor Niederhoffer says, “Without qualification this book should be in every serious market practitioner’s collection.” As technical analysis (TA) is the study of recurring stock market patterns with the intent of forecasting future price movements, Aronson asserts that many traders are using TA methods that are based on undisciplined research and can improve their results by applying the scientific method.

The book is organized in two sections. Part One establishes the methodological, philosophical, psychological, and statistical foundations of Evidence-Based Technical Analysis (EBTA). Part Two demonstrates EBTA with a case study that tests 6,402 binary buy/sell rules on the S&P 500 for 25 years of historical data.

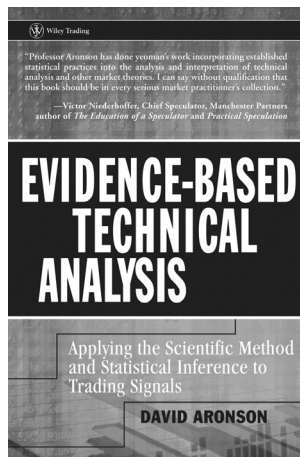
Mr. Aronson recently impressed me when he analyzed the Best Six Months pattern I discovered in 1986 from data starting in 1950. Aronson and his colleague, Dr. Timothy Masters, put our Best Six Months Switching Strategy (Page 48) through its paces and back-tested it using their scientific method to 1987, the year after I published the strategy.

They found that from 1987 through April 2006 the S&P 500 generated an annualized return of 16.3% during our Best Six Months compared to 3.9% for the Worst Six Months. Their analysis also found our Six-Month Switching Strategy to be sound, valuable and to have predictive power. The returns were considered to be statistically significant, unlike any of the 6,402 rules tested for the book.

Aronson’s testing methods are in stark contrast to other “backward” tests that go back to 1925, or even 1896 and say, “Ah ha! The 80-year back-tested period (or 109-year) proves the pattern doesn’t work” Exogenous factors as well as cultural shifts must also be considered. Farming made August the best month from 1900-1951. Since 1987 it is the worst S&P month. The onset of war with Iraq in early 2003 gave the Worst Six Months a better return.

Evidence-Based Technical Analysis does not derail technical analysis; it actually strengthens it with a rigorous and empirical system for verifying trading systems. This book provides traders and technical analysts with a more effective back-testing methodology for developing sound trading systems.

SAVE 20% at the *Stock Trader’s Almanac* bookstore at www.stocktradersalmanac.com by using Promo Code 8-4024.



October is the Best Month Since 1998

MONDAY

D 61.9
S 57.1
N 61.9

6

Pullbacks near the 30-week moving average are often good times to take action. — Michael Burke (*Investors Intelligence*)

Start Looking for MACD Buy Signal (Pages 50 & 58)
Almanac Investor Subscribers Are Emailed Alert When It Triggers

 D 42.9
S 38.1
N 42.9

TUESDAY

7

Methodology is the last refuge of a sterile mind. — Marianne L. Simmel (Psychologist)

WEDNESDAY

D 52.4
S 52.4
N 57.1

8

I know nothing grander; better exercise...more positive proof of the past, the triumphant result of faith in humankind, than a well-contested national election. — Walt Whitman (American poet, 1819-1892)

Yom Kippur

 D 33.3
S 28.6
N 42.9

THURSDAY

9

Success is going from failure to failure without loss of enthusiasm. — Winston Churchill (British statesman, 1874-1965)

 D 28.6
S 33.3
N 47.6

FRIDAY

10

In every generation there has to be some fool who will speak the truth as he sees it.
— Boris Pasternak (Russian writer and poet, 1958 Nobel Laureate in Literature, *Doctor Zhivago*, 1890-1960)

SATURDAY

11

SUNDAY

12

YEAR'S TOP INVESTMENT BOOKS

Evidence-Based Technical Analysis: Applying the Scientific Method and Statistical Inference to Trading Signals, David Aronson, Wiley, \$95. Best Investment Book of the Year. Page 92.

Trend Following: How Great Traders Make Millions in Up or Down Markets, Michael W. Covel, FT Press, Soft, \$17.99. Notes the traits, tactics and wisdom of a score of successful traders, including many well-known names.

The Three Skills of Top Trading: Behavioral Systems Building, Pattern Recognition, and Mental State Management, Hank Pruden, Wiley, \$75. Very worthwhile read for any full-time trader. A third of the book is devoted to the techniques of Richard D. Wyckoff, founder of the Magazine of Wall Street.

Anatomy of the Bear: Lessons From Wall Street's Four Great Bottoms, Russell Napier, CLSA Books, Soft, \$34.95. Great information for those who like to see the major swings between undervaluation and overvaluation. The four bottoms are 1921, 1932, 1949, and 1982. Was the last major bottom in 2002, or is it yet to come?

The Only Three Questions That Count: Investing by Knowing What Others Don't, Ken Fisher, Wiley, \$27.95. Forbes Columnist and manager of \$35 Billion, Fisher has outperformed the S&P over the past ten years, so we should pay attention to his ideas.

Where Have All the Leaders Gone? Lee Iacocca, Scribner, \$25. It is hard to resist the latest book by one of America's greatest business leaders. Iacocca discusses his Nine Cs of Leadership: Curiosity, Creativity, Communication, Character, Courage, Conviction, Charisma, Competence, and Common Sense.

Candlestick and Pivot Point Trading Triggers + CD-ROM: Setups for Stock, Forex, and Futures Markets, John L. Person, Wiley, \$80. Teaches you how to keep things simple to become a better trader. We rated his previous book highly in 2005.

Taking Your IRA to the Next Level: Securing Above Average Returns in Tax Sheltered Accounts, Humphrey Lloyd, Traders Press E-Book, \$49.95. Dr. Lloyd did just that while Chief Pathologist at Beverly MA Hospital. Has an enormous command of strategies and indicators. Friends with a wide circle of top professional moneymakers.

Capital Ideas Evolving, Peter L. Bernstein, Wiley, \$29.95. The markets are obviously changing. An analysis of the major financial theorists and how they influence managers of trillions of dollars worldwide. Investors and traders, "meet your tough competition!" Bernstein is one of the Street's sharpest minds.

The Black Swan: The Impact of the Highly Improbable, Nassim Nicholas Taleb, Random House, \$26.95. In the *NY Times* book review Gregg Easterbrook says, "Taleb proclaims that the unexpected is the key to understanding not just financial markets but history itself." We rated his previous book highly in 2003.

(continued on page 96)

OCTOBER

Columbus Day (Bond Market Closed)

Monday Before October Expiration Dow Up 23 of 27 and 7 Straight



MONDAY

D 66.7
S 66.7
N 76.2

13

Behold, my son, with what little wisdom the world is ruled.

— Count Axel Gustafsson Oxenstierna (1648 letter to his son at conclusion of Thirty Years War, 1583-1654)



TUESDAY

D 71.4
S 71.4
N 66.7

14

From very early on, I understood that you can touch a piece of paper once...if you touch it twice, you're dead.

Therefore, paper only touches my hand once. After that, it's either thrown away, acted on or given to somebody else.

— Manuel Fernandez (Businessman, *Investor's Business Daily*)



WEDNESDAY

D 66.7
S 61.9
N 57.1

15

Every man with a new idea is a crank until the idea succeeds.

— Mark Twain (American novelist and satirist, pen name of Samuel Longhorne Clemens, 1835-1910)

THURSDAY

D 47.6
S 52.4
N 42.9

16

Little minds are tamed and subdued by misfortune; but great minds rise above them.

— Washington Irving (American writer, *The Legend of Sleepy Hollow*, US ambassador Spain 1842-46, 1783-1859)

October Expiration Day Dow Up 4 of Last 7 — Down 267 Points in 1999



FRIDAY

D 52.4
S 47.6
N 38.1

17

You must automate, emigrate, or evaporate. — James A. Baker (General Electric)

SATURDAY

18

Crash of October 19, 1987, Dow Down 22.6% in One Day

SUNDAY

19

YEAR'S TOP INVESTMENT BOOKS

(continued from page 94)

Point & Figure Charting: The Essential Application for Forecasting and Tracking Market Prices, Thomas J. Dorsey, Wiley, \$65. The world's foremost expert on Point and Figure charting shows how it is done with stocks, ETFs, and market indicators.

The Last Tycoons: The Secret History of Lazard Frères & Co., William D. Cohan, Doubleday, \$29.95. Compelling history of the storied investment bank from its beginnings as a New Orleans dry goods retailer in 1848 to Wall Street powerhouse packed with intrigue and insights into the world of high finance. Should make a sizzling summer read.

The Halo Effect: ... and the Eight Other Business Delusions That Deceive Managers, Phil Rosenzweig, Free Press, \$25. Not the usual pabulum. Sharp critique of existing management dogma that professes success still comes from old fashioned savvy, execution and a bit of luck.

The Options Doctor: Option Strategies for Every Kind of Market, Jeanette Schwarz Young, Wiley, \$55. How to use options to create and protect portfolio profits in every market environment.

India: An Investor's Guide to the Next Economic Superpower, Aaron Chaze, Wiley, \$35. The magic of Capitalism at work. India could turn out to be one of the major success stories of the 21st century. What are the opportunities? What are the threats? See Globalization at work. Enormous potential for investors who think outside the box.

Rocking Wall Street: Four Powerful Strategies that Will Shake Up the Way You Invest, Gary Marks, Wiley, \$24.95. Unusual approaches to protect you from the hype masters and media "experts," and making hedging techniques the rule, not the exception.

A Demon of Our Own Design: Markets, Hedge Funds, and the Perils of Financial Innovation, Richard Bookstaber, Wiley, \$27.95. This designer of some complex options and derivatives argues that many financial innovations and regulations that are supposed to level the playing field instead make the markets more dangerous for all the players.

The CRB Encyclopedia of Commodity and Financial Prices, Commodity Research Bureau, Wiley, \$200. A treasure-trove of charts and data on all commodities traded. The Encyclopedia is endorsed by Jim Rogers, one of the most fabulously successful commodity traders of all time. We don't see how anyone can trade commodities without having this volume, or the equivalent.

A Random Walk Down Wall Street: The Time-Tested Strategy for Successful Investing, Ninth Edition, Burton G. Malkiel, Norton, \$29.95. A new revised edition of the famous classic. Very well done, but if everyone bought index funds and all brokers, fundamentalists and technicians were dismissed, what a boring world it would be. The 4-year presidential cycle, "Best Six Months," and other recurring patterns show that the market is far from always being random.

OCTOBER



MONDAY

D 71.4
S 76.2
N 71.4

20

Sometimes the best investments are the ones you don't make.

— Donald Trump (Real estate mogul and entrepreneur, *Trump: How to Get Rich*, 2004)



TUESDAY

D 61.9
S 71.4
N 57.1

21

What technology does is make people more productive. It doesn't replace them.

— Michael Bloomberg (Founder Bloomberg, philanthropist, New York Mayor)

Late October Is Time to Buy Depressed Stocks, Especially Techs and Small Caps

WEDNESDAY

D 47.6
S 57.1
N 57.1

22

The two most abundant elements in the universe are Hydrogen and Stupidity. — Harlan Ellison (Science fiction writer, b. 1934)

THURSDAY

D 42.9
S 47.6
N 42.9

23

Drawing on my fine command of language, I said nothing.

— Robert Benchley (American writer, actor and humorist, 1889-1945)



FRIDAY

D 47.6
S 33.3
N 33.3

24

Early in March (1960), Dr. Arthur F. Burns called on me...Burns' conclusion was that unless some decisive action was taken, and taken soon, we were heading for another economic dip which would hit its low point in October, just before the elections.

— Richard M. Nixon (37th US President, *Six Crises*, 1913-1994)

SATURDAY

25

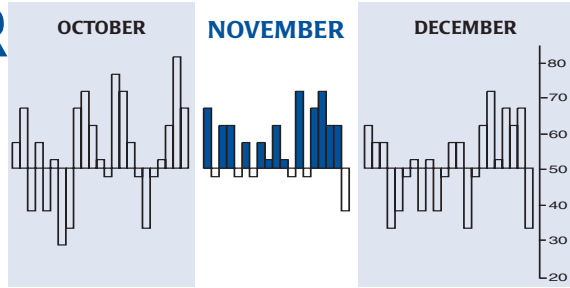
SUNDAY

26

NOVEMBER ALMANAC

NOVEMBER						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

DECEMBER						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			



Market Probability Chart above is a graphic representation of the S&P 500 Recent Market Probability Calendar on page 124.

- ◆ #1 S&P month and #3 on Dow since 1950, #2 on NASDAQ since 1971 (pages 44 & 56)
- ◆ Start of the “Best Six Months” of the year (page 48), NASDAQ’s Eight Months and Best Three (pages 147 & 148)
- ◆ Simple timing indicator almost triples “Best Six Months” strategy (page 50), doubles NASDAQ’s Best Eight (page 56)
- ◆ Election Novembers #1 for Dow and S&P, but #7 on NASDAQ thanks to Y2K’s tech wreck
- ◆ Day before and after Thanksgiving Day combined, only 10 losses in 55 years (page 102)
- ◆ 2000 worst Election Year since Truman upsets Dewey in 1948 following first undecided Presidential Election since 1888
- ◆ Last 8 other Republican victories averaged 3.0% on S&P, 7 Democrats 0.4% (page 36)
- ◆ 2003 broke 10-year Dow winning streak week before Thanksgiving, up last 2

November Vital Statistics

	DJIA	S&P 500	NASDAQ	Russell 1K	Russell 2K
Rank	3	1	2	1	2
Up	39	39	25	21	19
Down	18	18	11	7	9
Avg % Change	1.7%	1.8%	2.2%	2.2%	2.6%
Election Year	2.1%	2.0%	0.4%	1.7%	1.5%
Best & Worst November					
	% Change	% Change	% Change	% Change	% Change
Best	1962 10.1	1980 10.2	2001 14.2	1980 10.1	2002 8.8
Worst	1973 -14.0	1973 -11.4	2000 -22.9	2000 -9.3	2000 -10.4
Best & Worst November Weeks					
Best	11/2/62 6.3	11/5/82 6.3	11/5/82 6.8	11/5/82 6.4	11/5/82 6.6
Worst	1/2/73 -5.3	11/23/73 -4.3	11/10/00 -12.2	11/10/00 -4.9	11/10/00 -5.3
Best & Worst November Days					
Best	11/26/63 4.5	11/26/63 4.0	11/14/00 5.8	11/3/82 3.7	11/24/00 3.1
Worst	11/30/87 -4.0	11/30/87 -4.2	11/8/00 -5.4	11/30/87 -4.1	11/30/87 -3.4
First Trading Day of Expiration Week: 1980-2006					
Record (#Up - #Down)	14-13	12-15	11-16	13-14	12-15
Current streak	U3	U1	U1	U1	U1
Avg % Change	0.02	0.01	-0.06	-0.01	-0.11
Options Expiration Day: 1980-2006					
Record (#Up - #Down)	16-11	15-12	13-14	15-12	12-15
Current streak	U2	U2	D1	U2	D1
Avg % Change	-0.01	-0.07	-0.19	-0.08	-0.11
Options Expiration Week: 1980-2006					
Record (#Up - #Down)	18-9	17-10	15-12	16-11	15-12
Current streak	U2	U2	U2	U2	U2
Avg % Change	0.58	0.43	0.42	0.42	0.17
Week After Options Expiration: 1980-2006					
Record (#Up - #Down)	17-10	17-10	18-9	18-9	16-11
Current streak	D1	D1	U6	U6	U6
Avg % Change	0.66	0.53	0.64	0.51	0.55
First Trading Day Performance					
% of Time Up	64.9	64.9	66.7	75.0	71.4
Avg % Change	0.36	0.39	0.43	0.61	0.51
Last Trading Day Performance					
% of Time Up	52.6	52.6	66.7	42.9	71.4
Avg % Change	0.02	0.06	-0.19	-0.17	0.02

Dow & S&P 1950-April 2007, NASDAQ 1971-April 2007, Russell 1K & 2K 1979-April 2007.

OCTOBER/NOVEMBER

MONDAY

D 42.9
S 47.6
N 33.3

27

The mind is not a vessel to be filled but a fire to be kindled.

— Plutarch (Greek biographer and philosopher, *Parallel Lives*, 46-120 AD)

1929 Crash October 28 & 29, Dow Down 23.0% in Two Days

TUESDAY

D 42.9
S 52.4
N 38.1

28

Develop interest in life as you see it; in people, things, literature, music — the world is so rich, simply throbbing with rich treasures, beautiful souls and interesting people. Forget yourself.

— Henry Miller (American writer, *Tropic of Cancer*, *Tropic of Capricorn*, 1891-1980)



WEDNESDAY

D 66.7
S 61.9
N 47.6

29

Choose a job you love, and you will never have to work a day in your life.

— Confucius (Chinese philosopher, 551-478 B.C.)



THURSDAY

D 76.2
S 81.0
N 71.4

30

An entrepreneur tends to lie some of the time. An entrepreneur in trouble tends to lie most of the time.

— Anonymous

Halloween 



FRIDAY

D 47.6
S 66.7
N 71.4

31

I invest in people, not ideas; I want to see fire in the belly and intellect.

— Arthur Rock (First venture capitalist)

November Almanac Investor Seasonalities: see Pages 114 & 116

SATURDAY

1

Daylight Saving Time Ends

SUNDAY

2

TAKE ADVANTAGE OF DOWN FRIDAY/ DOWN MONDAY WARNING

For market professionals and serious traders, Fridays and Mondays are the most important days of the week. Friday is the day for squaring positions — trimming longs or covering shorts before taking off for the weekend. Pros want to limit their exposure (particularly to stocks that are not acting well) since there could be unfavorable developments before trading resumes two or more days later.

Monday is important because the market then has the chance to reflect any weekend news, plus what traders think after digesting the previous week's action and the many Monday morning research and strategy comments.

We've been watching Friday-Monday market behavior for over 30 years. In this time we have observed that a down Friday followed by down Monday is often an important market inflection point that exhibits a clearly negative bias and frequently coincides with market tops and on a few climactic occasions, such as in October 2002, near major market bottoms.

One simple way to get a quick reading on which way the market may be heading is to keep track of the performance of the Dow Jones Industrial Average on Fridays and the following Mondays. Since 1995 there have been 126 occurrences of Down Friday/Down Monday (DF/DM) with 31 falling in the bear market years of 2001 and 2002 producing an average decline of 12.7%.

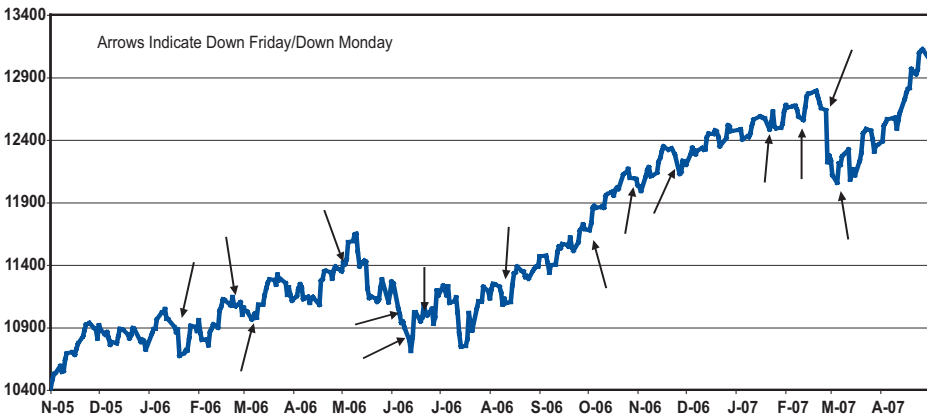
DOWN FRIDAY/DOWN MONDAYS

Year	Total Number Down Friday/Down Monday	Subsequent Average % Dow Loss*	Average Number of Days it took
1995	8	— 1.2%	18
1996	9	— 3.0%	28
1997	6	— 5.1%	45
1998	9	— 6.4%	47
1999	9	— 6.4%	39
2000	11	— 6.6%	32
2001	13	— 13.5%	53
2002	18	— 11.9%	54
2003	9	— 3.0%	17
2004	9	— 3.7%	51
2005	10	— 3.0%	37
2006	11	— 2.0%	14
2007**	4	— 4.2%	16
Average	10	— 5.4%	35

* Over next 3 months, ** Ending May 4, 2007

To illustrate how Down Friday/Down Monday can telegraph market inflection points we created the chart below of the Dow Jones Industrials from November 2005 to April 2007 with arrows pointing to occurrences of DF/DM. Use DF/DM as a warning to examine market conditions carefully.

DOW JONES INDUSTRIALS (November 2005 – April 2007)



NOVEMBER

*First Trading Day November Dow Down 2 in a Row After 4-Year Bull Run
Up 13 in a Row 1978-1990*


D 66.7
S 66.7
N 71.4

MONDAY
3

Prosperity is a great teacher; adversity a greater. — William Hazlitt (English essayist, 1778-1830)

Election Day

D 42.9
S 47.6
N 47.6


TUESDAY
4

Those who cast the votes decide nothing. Those who count the votes decide everything.
— Joseph Stalin (Ruler USSR 1929-1953, 1879-1953)


D 61.9
S 61.9
N 81.0

WEDNESDAY
5

A fanatic is one who can't change his mind and won't change the subject. — Winston Churchill (British statesman, 1874-1965)


D 61.9
S 61.9
N 57.1

THURSDAY
6

Life is what happens, while you're busy making other plans. — John Lennon (Beatle, 1940-1980)

*November Begins Dow & S&P "Best Six Months" (Pages 44, 48, 50 & 147)
& NASDAQ "Best Eight Months" (Pages 56, 58 & 148)*

D 47.6
S 47.6
N 57.1

FRIDAY
7

When you get into a tight place and everything goes against you, till it seems as though you could not hang on a minute longer, never give up then, for that is just the place and time that the tide will turn. — Harriet Beecher Stowe (American writer and abolitionist)

SATURDAY
8

SUNDAY
9

TRADING THE THANKSGIVING MARKET

For 35 years the combination of the Wednesday before Thanksgiving and the Friday after had a great track record, except for two occasions. Attributing this phenomenon to the warm “holiday spirit” was a no-brainer. But publishing it in the 1987 Almanac was the “kiss of death.” Wednesday, Friday and Monday were all crushed, down 6.6% over the three days in 1987. Since 1988 Wednesday-Friday lost seven of nineteen times with a total Dow point-gain of 460.99 versus a Wednesday-Monday total Dow point-gain of 472.67 with only five losses. The best strategy appears to be coming into the week long and exiting into strength Friday or Monday.

DOW JONES INDUSTRIALS BEFORE AND AFTER THANKSGIVING

	Tuesday Before	Wednesday Before	Friday After	Total Gain Dow Points	Dow Close	Next Monday
1952	- 0.18	1.54	1.22	2.76	283.66	0.04
1953	1.71	0.65	2.45	3.10	280.23	1.14
1954	3.27	1.89	3.16	5.05	387.79	0.72
1955	4.61	0.71	0.26	0.97	482.88	- 1.92
1956	- 4.49	- 2.16	4.65	2.49	472.56	- 2.27
1957	- 9.04	10.69	3.84	14.53	449.87	- 2.96
1958	- 4.37	8.63	8.31	16.94	557.46	2.61
1959	2.94	1.41	1.42	2.83	652.52	6.66
1960	- 3.44	1.37	4.00	5.37	606.47	- 1.04
1961	- 0.77	1.10	2.18	3.28	732.60	- 0.61
1962	6.73	4.31	7.62	11.93	644.87	- 2.81
1963	32.03	- 2.52	9.52	7.00	750.52	1.39
1964	- 1.68	- 5.21	- 0.28	- 5.49	882.12	- 6.69
1965	2.56	N/C	- 0.78	- 0.78	948.16	- 1.23
1966	- 3.18	1.84	6.52	8.36	803.34	- 2.18
1967	13.17	3.07	3.58	6.65	877.60	4.51
1968	8.14	- 3.17	8.76	5.59	985.08	- 1.74
1969	- 5.61	3.23	1.78	5.01	812.30	- 7.26
1970	5.21	1.98	6.64	8.62	781.35	12.74
1971	- 5.18	0.66	17.96	18.62	816.59	13.14
1972	8.21	7.29	4.67	11.96	1025.21	- 7.45
1973	- 17.76	10.08	- 0.98	9.10	854.00	- 29.05
1974	5.32	2.03	- 0.63	1.40	618.66	- 15.64
1975	9.76	3.15	2.12	5.27	860.67	- 4.33
1976	- 6.57	1.66	5.66	7.32	956.62	- 6.57
1977	6.41	0.78	1.12	1.90	844.42	- 4.85
1978	- 1.56	2.95	3.12	6.07	810.12	3.72
1979	- 6.05	- 1.80	4.35	2.55	811.77	16.98
1980	3.93	7.00	3.66	10.66	993.34	- 23.89
1981	18.45	7.90	7.80	15.70	885.94	3.04
1982	- 9.01	9.01	7.36	16.37	1007.36	- 4.51
1983	7.01	- 0.20	1.83	1.63	1277.44	- 7.62
1984	9.83	6.40	18.78	25.18	1220.30	- 7.95
1985	0.12	18.92	- 3.56	15.36	1472.13	- 14.22
1986	6.05	4.64	- 2.53	2.11	1914.23	- 1.55
1987	40.45	- 16.58	- 36.47	- 53.05	1910.48	- 76.93
1988	11.73	14.58	- 17.60	- 3.02	2074.68	6.76
1989	7.25	17.49	18.77	36.26	2675.55	19.42
1990	- 35.15	9.16	- 12.13	- 2.97	2527.23	5.94
1991	14.08	- 16.10	- 5.36	- 21.46	2894.68	40.70
1992	25.66	17.56	15.94	33.50	3282.20	22.96
1993	3.92	13.41	- 3.63	9.78	3683.95	- 6.15
1994	- 91.52	- 3.36	33.64	30.28	3708.27	31.29
1995	40.46	18.06	7.23*	25.29	5048.84	22.04
1996	- 19.38	- 29.07	22.36*	- 6.71	6521.70	N/C
1997	41.03	- 14.17	28.35*	14.18	7823.13	189.98
1998	- 73.12	13.13	18.80*	31.93	9333.08	- 216.53
1999	- 93.89	12.54	- 19.26*	- 6.72	10988.91	- 40.99
2000	31.85	- 95.18	70.91*	- 24.27	10470.23	75.84
2001	- 75.08	- 66.70	125.03*	58.33	9959.71	23.04
2002	- 172.98	255.26	- 35.59*	219.67	8896.09	- 33.52
2003	16.15	15.63	2.89*	18.52	9782.46	116.59
2004	3.18	27.71	1.92*	29.63	10522.23	- 46.33
2005	51.15	44.66	15.53*	60.19	10931.62	- 40.90
2006	5.05	5.36	- 46.78*	- 41.42	12280.17	- 158.46

*Shortened trading day

NOVEMBER

MONDAY

D 61.9
S 57.1
N 57.1

10

A good new chairman of the Federal Reserve Bank is worth a \$10 billion tax cut.
— Paul H. Douglas (US Senator Illinois 1949-1967, 1892-1976)

Veterans' Day

TUESDAY

D 38.1
S 47.6
N 57.1

11

Never overpay for a stock. More money is lost than in any other way by projecting above-average growth and paying an extra multiple for it. — Charles Neuhauser (Bear Stearns)

WEDNESDAY

D 57.1
S 57.1
N 61.9

12

The worst bankrupt in the world is the person who has lost his enthusiasm. — H.W. Arnold

THURSDAY

D 57.1
S 52.4
N 57.1

13

Investors operate with limited funds and limited intelligence, they don't need to know everything. As long as they understand something better than others, they have an edge.
— George Soros (Financier, philanthropist, political activist, author and philosopher, b. 1930)



FRIDAY

D 66.7
S 61.9
N 61.9

14

There has never been a commercial technology like this (Internet) in the history of the world, whereby the minute you adopt it, it forces you to think and act globally. — Robert Hormats (Vice chairman, Goldman Sachs Int'l)

SATURDAY

15

SUNDAY

16

MOST OF THE SO-CALLED “JANUARY EFFECT” TAKES PLACE IN THE LAST HALF OF DECEMBER

Over the years we reported annually on the fascinating January Effect, showing that small-cap stocks handily outperformed large-cap stocks during January 40 out of 43 years between 1953 and 1995. Readers saw that “Cats and Dogs” on average quadrupled the returns of blue chips in this period. Then, the January Effect disappeared over the next four years.

Looking at the graph on page 106, comparing the Russell 1000 index of large capitalization stocks to the Russell 2000 smaller capitalization stocks, shows small cap stocks beginning to outperform the blue chips in mid-December. Narrowing the comparison down to half-month segments was an inspiration and proved to be quite revealing, as you can see in the table below.

20-YEAR AVERAGE RATES OF RETURN (DEC 1987 – FEB 2007)

From mid-Dec*	Russell 1000		Russell 2000	
	Change	Annualized	Change	Annualized
12/15-12/31	1.7%	47.1%	3.2%	105.8%
12/15-01/15	2.2	28.3	4.0	56.7
12/15-01/31	3.0	27.2	4.9	47.5
12/15-02/15	3.9	25.8	6.5	45.9
12/15-02/28	3.2	16.8	6.6	37.1
end-Dec*				
12/31-01/15	0.5	11.0	0.8	18.2
12/31-01/31	1.2	15.4	1.6	21.0
12/31-02/15	2.1	17.8	3.1	27.2
12/31-02/28	1.5	9.8	3.2	22.0

28-YEAR AVERAGE RATES OF RETURN (DEC 1979 – FEB 2007)

From mid-Dec*	Russell 1000		Russell 2000	
	Change	Annualized	Change	Annualized
12/15-12/31	1.5%	40.6%	2.8%	88.3%
12/15-01/15	2.5	32.7	4.5	65.6
12/15-01/31	3.2	28.2	5.3	50.2
12/15-02/15	3.9	25.1	6.8	47.0
12/15-02/28	3.5	18.5	7.0	39.7
end-Dec*				
12/31-01/15	0.9	20.7	1.6	39.6
12/31-01/31	1.6	21.0	2.4	32.9
12/31-02/15	2.4	20.5	3.9	35.2
12/31-02/28	2.0	12.9	4.0	27.3

* Mid-month dates are the 11th trading day of the month, month end dates are monthly closes

Small-cap strength in the last half of December became even more magnified after the 1987 market crash. Note the dramatic shift in gains in the last half of December during the 20-year period starting in 1987, versus the 28 years from 1979 to 2007. With all the beaten down small stocks being dumped for tax loss purposes, it generally pays to get a head start on the January Effect in mid-December. You don't have to wait until December either, the small-cap sector often begins to turn around toward the end of October.

NOVEMBER

Monday Before November Expiration Dow Up 3 in a Row After 5-Year Bear Run

MONDAY

D 57.1
S 52.4
N 38.1

17

The big guys are the status quo, not the innovators. — Kenneth L. Fisher (*Forbes* columnist)

TUESDAY

D 38.1
S 47.6
N 33.3

18

Knowing others is intelligence; knowing yourself is true wisdom. Mastering others is strength; mastering yourself is true power. — Lau Tzu (Shaolin monk, founder of Taoism, circa 6th-4th century B.C.)

Week Before Thanksgiving Dow Up 12 of Last 14, 2003 -1.4% & 2004 -0.8%



WEDNESDAY

D 71.4
S 71.4
N 57.1

19

A cynic is a man who knows the price of everything and the value of nothing.
— Oscar Wilde (Irish-born writer and wit, 1845-1900)

THURSDAY

D 47.6
S 47.6
N 57.1

20

Those heroes of finance are like beads on a string, when one slips off, the rest follow.
— Henrik Ibsen (Norwegian playwright, 1828-1906)

November Expiration Day Dow Up 4 of Last 5



FRIDAY

D 71.4
S 66.7
N 61.9

21

Eighty percent of success is showing up. — Woody Allen (Filmmaker)

SATURDAY

22

SUNDAY

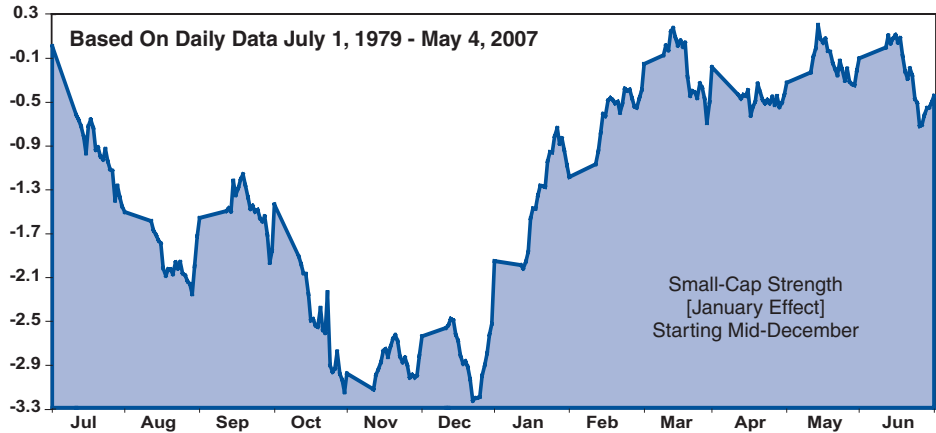
23

JANUARY EFFECT NOW STARTS IN MID-DECEMBER

Small-cap stocks tend to outperform big caps in January. Known as the “January Effect,” the tendency is clearly revealed by the graph below. The 29 years of daily data for the Russell 2000 index of smaller companies are divided by the Russell 1000 index of largest companies. Then the 29 years are compressed into a single year to show an idealized yearly pattern. When the graph is descending, big blue chips are outperforming smaller companies; when the graph is rising, smaller companies are moving up faster than their larger brethren.

In a typical year the smaller fry stay on the sidelines while the big boys are on the field. Then, around late October, small stocks begin to wake up and in mid-December, they take off. So many year-end dividends, payouts and bonuses could be a factor. Other major moves are quite evident just before Labor Day — possibly because individual investors are back from vacations — and off the low points in late October and November. After a pause in mid-January, small caps take the lead through the beginning of March.

RUSSELL 2000/RUSSELL 1000 ONE-YEAR SEASONAL PATTERN



The bottom graph shows the actual ratio of the Russell 2000 divided by the Russell 1000 from 1979. Smaller companies had the upper hand for five years into 1983 as the last major bear trend wound to a close and the nascent bull market logged its first year. After falling behind for about eight years, they came back after the Persian Gulf War bottom in 1990, moving up until 1994 when big caps ruled the latter stages of the millennial bull. For six years the picture was bleak for small fry as the blue chips and tech stocks moved to stratospheric PE ratios. Small caps spiked in late 1999 and early 2000 and have been rising since the bubble burst. Note how the small cap advantage has waned at the outset of major bull moves and intensified during weak market times. As the current ratio has pulled back from near 1.1 broad market weakness may be indicated. Look for a clear move lower when the next major bull takes hold.

RUSSELL 2000/RUSSELL 1000 (1979 - APRIL 2007)



NOVEMBER

*Trading Thanksgiving Market: Long into Weakness Prior,
Exit into Strength After (Page 102)*


D 71.4
S 71.4
N 57.1

MONDAY

24

Age is a question of mind over matter. If you don't mind, it doesn't matter.
— Leroy Robert “Satchel” Paige (Negro League and Hall of Fame Pitcher, 1906-1982)


D 57.1
S 61.9
N 61.9

TUESDAY

25

A small debt produces a debtor; a large one, an enemy.
— Publilius Syrus (Syrian-born Roman mime and former slave, 83-43 B.C.)



D 47.6
S 61.9
N 71.4

WEDNESDAY

26

No profession requires more hard work, intelligence, patience, and mental discipline than successful speculation.
— Robert Rhea (*The Dow Theory*)

Thanksgiving (Market Closed)

THURSDAY

27

It is not how right or how wrong you are that matters, but how much money you make when right and how much you do not lose when wrong. — George Soros (Financier, philanthropist, political activist, author and philosopher, b. 1930)

(Shortened Trading Day)


D 47.6
S 38.1
N 57.1

FRIDAY

28

The knowledge of past times... is both an ornament and nutriment to the human mind.
— Leonardo da Vinci (Italian Renaissance polymath, 1452-1519)

SATURDAY

29

December Almanac Investor Seasonalities: see Pages 114 & 116

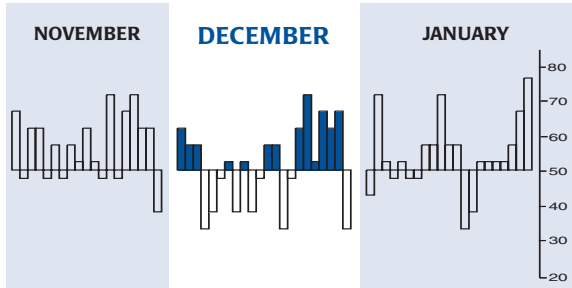
SUNDAY

30

DECEMBER ALMANAC

DECEMBER						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

JANUARY						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31



Market Probability Chart above is a graphic representation of the S&P 500 Recent Market Probability Calendar on page 124.

◆ #2 S&P and Dow month average gain 1.7% & 1.8% respectively since 1950 (page 44), #3 NASDAQ 1.9% since 1971 ◆ 2002 worst December since 1931, down over 6% Dow and S&P, -9.7% on NASDAQ (pages 152, 155 & 157) ◆ “Free lunch” served on Wall Street before Christmas (page 110) ◆ Small caps start to outperform larger caps near middle of month (pages 104 & 106) ◆ “Santa Claus Rally” visible in graph above and on page 112 ◆ In 1998 was part of best fourth quarter since 1928 (page 167) ◆ Election Year December’s fare well; since 1950 Dow average 1.5%, S&P 1.2%; NASDAQ 1.4% since 1972

December Vital Statistics

	DJIA	S&P 500	NASDAQ	Russell 1K	Russell 2K	
Rank	2	2	3	3	3	
Up	41	43	21	22	22	
Down	16	14	14	6	6	
Avg % Change	1.8%	1.7%	1.9%	1.7%	2.6%	
Election Year	1.5%	1.2%	1.4%	0.6%	2.6%	
Best & Worst December						
	% Change		% Change		% Change	
Best	1991 9.5	1991 11.2	1999 22.0	1991 11.2	1999 11.2	
Worst	2002 -6.2	2002 -6.0	2002 -9.7	2002 -5.8	2002 -5.7	
Best & Worst December Weeks						
Best	12/18/87 5.8	12/18/87 5.9	12/8/00 10.3	12/18/87 6.0	12/18/87 7.7	
Worst	12/4/87 -7.5	12/6/74 -7.1	12/15/00 -9.1	12/4/87 -7.0	12/12/80 -6.5	
Best & Worst December Days						
Best	12/14/87 3.5	12/5/00 3.9	12/5/00 10.5	12/5/00 4.4	12/5/00 4.6	
Worst	12/3/87 -3.9	12/3/87 -3.5	12/20/00 -7.1	12/20/00 -3.4	12/8/80 -3.6	
First Trading Day of Expiration Week: 1980-2006						
Record (#Up - #Down)	16-11	17-10	12-15	18-9	13-14	
Current streak	U1	U3	U3	U3	U3	
Avg % Change	0.29	0.26	0.08	0.22	-0.03	
Options Expiration Day: 1980-2006						
Record (#Up - #Down)	19-8	19-8	18-9	19-8	16-11	
Current streak	U1	U1	U1	U1	D3	
Avg % Change	0.39	0.40	0.27	0.37	0.30	
Options Expiration Week: 1980-2006						
Record (#Up - #Down)	22-5	20-7	14-13	19-8	12-15	
Current streak	U6	U6	U1	U6	U1	
Avg % Change	0.89	0.80	0.09	0.73	0.28	
Week After Options Expiration: 1980-2006						
Record (#Up - #Down)	19-8	16-11	17-10	16-11	19-8	
Current streak	D1	D1	D2	D1	D1	
Avg % Change	0.76	0.43	0.70	0.46	0.84	
First Trading Day Performance						
% of Time Up	49.1	52.6	63.9	57.1	57.1	
Avg % Change	0.03	0.08	0.36	0.19	0.26	
Last Trading Day Performance						
% of Time Up	54.4	64.9	80.6	57.1	78.6	
Avg % Change	0.09	0.12	0.40	-0.09	0.52	

Dow & S&P 1950-April 2007, NASDAQ 1971-April 2007, Russell 1K & 2K 1979-April 2007.

DECEMBER

*First Trading Day December Dow 100+ Point Gains 2003-2005,
Down in 2006*



MONDAY

D 57.1
S 61.9
N 76.2

1

No-other wisdom is better than the financial markets themselves. They incorporate the total wisdom of everyone that has money that is willing to vote their wisdom every second of every day. — Don R. Hays (Hays Advisory, 3/14/07)

TUESDAY

D 57.1
S 57.1
N 66.7

2

Capitalism works because it encourages and rewards those who successfully take risks, adapt to change, and develop profitable opportunities. — Henry Blodget (former stock analyst, NYTimes Op-Ed 12/20/06, The Wall Street Self-Defense Manual)

WEDNESDAY

D 52.4
S 57.1
N 66.7

3

Market risk tends to be poorly rewarded when market valuations are rich and interest rates are rising. — John P. Hussman, Ph.D. (Hussman Funds, 5/22/06)



THURSDAY

D 47.6
S 33.3
N 52.4

4

The investor who concentrated on the 50 stocks in the S&P 500 that are followed by the fewest Wall Street analysts wound up with a rousing 24.6% gain in [2006 versus] 13.6% [for] the S&P 500. — Rich Bernstein (Chief Investment Strategist, Merrill Lynch, Barron's 1/8/07)



FRIDAY

D 33.3
S 38.1
N 33.3

5

What people in the Middle East tell you in private is irrelevant. All that matters is what they will defend in public in their language. — Thomas L. Friedman (NYTimes Foreign Affairs columnist, "Meet the Press" 12/17/06)

SATURDAY

6

SUNDAY

7

WALL STREET'S ONLY "FREE LUNCH" SERVED BEFORE CHRISTMAS

Investors tend to get rid of their losers near year-end for tax purposes, often hammering these stocks down to bargain levels. Over the years the Almanac has shown that NYSE stocks selling at their lows on December 15 will usually outperform the market by February 15 in the following year. Preferred stocks, closed-end funds, splits and new issues are eliminated. When there are a huge number of new lows, stocks down the most are selected, even though there are usually good reasons why some stocks have been battered.

BARGAIN STOCKS VS. THE MARKET*

Short Span*	New Lows	% Change	% Change	Bargain
Late Dec - Jan/Feb	Late Dec	Jan/Feb	NYSE Composite	Stocks Advantage
1974-75	112	48.9%	22.1%	26.8%
1975-76	21	34.9	14.9	20.0
1976-77	2	1.3	— 3.3	4.6
1977-78	15	2.8	— 4.5	7.3
1978-79	43	11.8	3.9	7.9
1979-80	5	9.3	6.1	3.2
1980-81	14	7.1	— 2.0	9.1
1981-82	21	— 2.6	— 7.4	4.8
1982-83	4	33.0	9.7	23.3
1983-84	13	— 3.2	— 3.8	0.6
1984-85	32	19.0	12.1	6.9
1985-86	4	— 22.5	3.9	— 26.4
1986-87	22	9.3	12.5	— 3.2
1987-88	23	13.2	6.8	6.4
1988-89	14	30.0	6.4	23.6
1989-90	25	— 3.1	— 4.8	1.7
1990-91	18	18.8	12.6	6.2
1991-92	23	51.1	7.7	43.4
1992-93	9	8.7	0.6	8.1
1993-94	10	— 1.4	2.0	— 3.4
1994-95	25	14.6	5.7	8.9
1995-96	5	— 11.3	4.5	— 15.8
1996-97	16	13.9	11.2	2.7
1997-98	29	9.9	5.7	4.2
1998-99	40	— 2.8	4.3	— 7.1
1999-00	26	8.9	— 5.4	14.3
2000-01	51	44.4	0.1	44.3
2001-02	12	31.4	— 2.3	33.7
2002-03	33	28.7	3.9	24.8
2003-04	15	16.7	2.3	14.4
2004-05	36	6.8	— 2.8	9.6
2005-06	71	12.0	2.6	9.4
2006-07	43	5.1	— 0.5	5.6
33-Year Totals		444.7%	124.8%	319.9%
Average		13.5%	3.8%	9.7%

* Dec 15 - Feb 15 (1974-1999), Dec 1999-2007 based on actual newsletter advice

In response to changing market conditions we tweaked the strategy the last eight years making our selections from stocks making new lows on the fourth-to-last trading day of the year some years, adding selections from NASDAQ, AMEX and the OTC Bulletin Board, and selling in mid-January some years. We email the lists of stocks and trading advice to our *Almanac Investor* newsletter subscribers.

Upon further review we have come to the conclusion that most prudent course of action is to compile our list from the stocks making new lows on on the Friday before Christmas, capitalizing on the Santa Claus Rally (page 112). This also gives us the weekend to evaluate the issues in greater depth and weed out any glaringly problematic stocks. Subscribers will receive the list of stocks selected from the new lows made on December 21, 2007 via email.

This "Free Lunch" strategy is only an extremely short-term strategy reserved for the nimblest traders. It has performed better after market corrections and when there are more new lows to choose from. The object is to buy bargain stocks near their 52-week lows and sell any quick, generous gains, as these issues can often be real dogs.

Examination of December trades by NYSE members through the years shows they tend to buy on balance during this month, contrary to other months. See more in our *Almanac Investor Newsletters* at stocktradersalmanac.com.

DECEMBER

MONDAY

D 52.4
S 47.6
N 42.9

8

Don't put all your eggs in one basket. — (Market maxim)

TUESDAY

D 57.1
S 52.4
N 42.9

9

Put your eggs in one basket and watch the basket. — (An alternate strategy)

Small Cap Strength Starts in Mid-December (Pages 104 & 106)



WEDNESDAY

D 47.6
S 38.1
N 33.3

10

You try to be greedy when others are fearful, and fearful when others are greedy.
— Warren Buffett (CEO Berkshire Hathaway, investor & philanthropist, b. 1930)

THURSDAY

D 52.4
S 52.4
N 61.9

11

Life is like riding a bicycle. You don't fall off unless you stop peddling.
— Claude D. Pepper (US Senator Florida 1936-1951, 1900-1989)



FRIDAY

D 42.9
S 38.1
N 33.3

12

Capitalism without bankruptcy is like Christianity without hell. — Frank Borman (CEO Eastern Airlines, April 1986)

SATURDAY

13

SUNDAY

14

IF SANTA CLAUS SHOULD FAIL TO CALL BEARS MAY COME TO BROAD & WALL

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 has been good for an average 1.5% gain since 1969 (1.5% since 1950). Santa's failure to show tends to precede bear markets, or times stocks could be purchased later in the year at much lower prices. We discovered this phenomenon in 1972.

DAILY % CHANGE IN S&P 500 AT YEAR END

	Trading Days Before Year-End					First Days in January			Rally % Change	
	6	5	4	3	2	1	1	2		3
1969	-0.4	1.1	0.8	-0.7	0.4	0.5	1.0	0.5	-0.7	3.6
1970	0.1	0.6	0.5	1.1	0.2	-0.1	-1.1	0.7	0.6	1.9
1971	-0.4	0.2	1.0	0.3	-0.4	0.3	-0.4	0.4	1.0	1.3
1972	-0.3	-0.7	0.6	0.4	0.5	1.0	0.9	0.4	-0.1	3.1
1973	-1.1	-0.7	3.1	2.1	-0.2	0.01	0.1	2.2	-0.9	6.7
1974	-1.4	1.4	0.8	-0.4	0.03	2.1	2.4	0.7	0.5	7.2
1975	0.7	0.8	0.9	-0.1	-0.4	0.5	0.8	1.8	1.0	4.3
1976	0.1	1.2	0.7	-0.4	0.5	0.5	-0.4	-1.2	-0.9	0.8
1977	0.8	0.9	N/C	0.1	0.2	0.2	-1.3	-0.3	-0.8	-0.3
1978	0.03	1.7	1.3	-0.9	-0.4	-0.2	0.6	1.1	0.8	3.3
1979	-0.6	0.1	0.1	0.2	-0.1	0.1	-2.0	-0.5	1.2	-2.2
1980	-0.4	0.4	0.5	-1.1	0.2	0.3	0.4	1.2	0.1	2.0
1981	-0.5	0.2	-0.2	-0.5	0.5	0.2	0.2	-2.2	-0.7	-1.8
1982	0.6	1.8	-1.0	0.3	-0.7	0.2	-1.6	2.2	0.4	1.2
1983	-0.2	-0.03	0.9	0.3	-0.2	0.05	-0.5	1.7	1.2	2.1
1984	-0.5	0.8	-0.2	-0.4	0.3	0.6	-1.1	-0.5	-0.5	-0.6
1985	-1.1	-0.7	0.2	0.9	0.5	0.3	-0.8	0.6	-0.1	1.1
1986	-1.0	0.2	0.1	-0.9	-0.5	-0.5	1.8	2.3	0.2	2.4
1987	1.3	-0.5	-2.6	-0.4	1.3	-0.3	3.6	1.1	0.1	2.2
1988	-0.2	0.3	-0.4	0.1	0.8	-0.6	-0.9	1.5	0.2	0.9
1989	0.6	0.8	-0.2	0.6	0.5	0.8	1.8	-0.3	-0.9	4.1
1990	0.5	-0.6	0.3	-0.8	0.1	0.5	-1.1	-1.4	-0.3	-3.0
1991	2.5	0.6	1.4	0.4	2.1	0.5	0.04	0.5	-0.3	5.7
1992	-0.3	0.2	-0.1	-0.3	0.2	-0.7	-0.1	-0.2	0.04	-1.1
1993	0.01	0.7	0.1	-0.1	-0.4	-0.5	-0.2	0.3	0.1	-0.1
1994	0.01	0.2	0.4	-0.3	0.1	-0.4	-0.03	0.3	-0.1	0.2
1995	0.8	0.2	0.4	0.04	-0.1	0.3	0.8	0.1	-0.6	1.8
1996	-0.3	0.5	0.6	0.1	-0.4	-1.7	-0.5	1.5	-0.1	0.1
1997	-1.5	-0.7	0.4	1.8	1.8	-0.04	0.5	0.2	-1.1	4.0
1998	2.1	-0.2	-0.1	1.3	-0.8	-0.2	-0.1	1.4	2.2	1.3
1999	1.6	-1.1	0.04	0.4	0.1	0.3	-1.0	-3.8	0.2	-4.0
2000	0.8	2.4	0.7	1.0	0.4	-1.0	-2.8	5.0	-1.1	5.7
2001	0.4	-0.02	0.4	0.7	0.3	-1.1	0.6	0.9	0.6	1.8
2002	0.2	-0.5	-0.3	-1.6	0.5	0.05	3.3	-0.05	2.2	1.2
2003	0.3	-0.2	0.2	1.2	0.01	0.2	-0.3	1.2	0.1	2.4
2004	0.1	-0.4	0.7	-0.01	0.01	-0.1	-0.8	-1.2	-0.4	-1.8
2005	0.4	0.04	-1.0	0.1	-0.3	-0.5	1.6	0.4	0.002	0.4
2006	-0.4	-0.5	0.4	0.7	-0.1	-0.5	-0.1	0.1	-0.6	0.003
Avg	0.09	0.30	0.30	0.14	0.17	0.03	0.09	0.50	0.08	1.5

The couplet above was certainly on the mark in 1999, as the period suffered a horrendous 4.0% loss. On January 14, 2000, the Dow started its 33-month 37.8% slide to the October 2002 midterm election year bottom. NASDAQ cracked eight weeks later falling 37.3% in 10 weeks, eventually dropping 77.9% by October 2002. This is reminiscent of the Dow during the Depression, when the Dow initially fell 47.9% in just over two months from 381.17 September 3, 1929, only to end down 89.2% at its 20th century low of 41.22 on July 8, 1932. Perhaps October 9, 2002, will prove to be the low for the 21st century. Saddam Hussein cancelled Christmas by invading Kuwait in 1990. Energy prices and Middle East terror woes may have grounded Santa in 2004. After an April low, 2005 registered one of the flattest years on record. Less bullishness on last day is due to last-minute portfolio restructuring. Pushing gains and losses into the next tax year often affects year's first trading day.

DECEMBER

Monday Before December Triple Witching Dow Up 5 of Last 7

MONDAY

D 52.4
S 47.6
N 52.4

15

Resentment is like taking poison and waiting for the other person to die. — Malachy McCourt (*A Monk Swimming: A Memoir*)

TUESDAY

D 61.9
S 57.1
N 47.6

16

We are handicapped by policies based on old myths rather than current realities.
— James William Fulbright (US Senator Arkansas 1944-1974, 1905-1995)

Triple-Witching Week Dow Up 21 of Last 23 and 6 Straight

WEDNESDAY

D 52.4
S 57.1
N 47.6

17

Financial genius is a rising stock market. — John Kenneth Galbraith (Canadian/American economist and diplomat, 1908-2006)



THURSDAY

D 42.9
S 33.3
N 47.6

18

When everybody starts looking really smart, and not realizing that a lot of it was luck, I get scared. — Raphael Yavneh (*Forbes*)

December Triple Witching Dow Up 17 of 25



FRIDAY

D 52.4
S 47.6
N 52.4

19

Bull markets are born on pessimism, grow on skepticism, mature on optimism, and die on euphoria.
— Sir John Templeton (Founder Templeton Funds, philanthropist, 1994)

SATURDAY

20

SUNDAY

21

SECTOR SEASONALITY: SELECTED PERCENTAGE PLAYS

Sector seasonality was featured in the first 1968 Almanac. A Merrill Lynch study showed that buying seven sectors around September or October and selling in the first few months of 1954-1964 tripled the gains of holding them for ten years. Over the past few years we have honed this strategy significantly and now devote a large portion of our time and resources to investing during seasonably favorable periods for different sectors with Exchange Traded Funds (ETFs).

Updated seasonalities appear in the table below. We specify whether the seasonality starts or finishes in the beginning third (B), middle third (M) or last third (E) of the month. These Selected Percentage Plays are geared to take advantage of the bulk of seasonal sector bullishness.

By design entry points are in advance of the major seasonal moves, providing traders ample opportunity to accumulate positions at favorable prices. Conversely, exit points have been selected to capture the majority of the advance, getting out ahead of any seasonal weakness.

From the sampling of the major seasonalities in the table below we created the Sector Index Seasonality Strategy Calendar on page 116. Note the concentration of bullish sector seasonalities during the Best Six Months, November-April.

As the ETF universe expands at breakneck speed, more seasonal investment options become available to Almanac Investors. Check our archives at stocktradersalmanac.com for updates and revisions to the strategy. We provide entry and exit points to *Almanac Investor* newsletter subscribers. Top 300 ETFs appear on pages 188-189.

SECTOR INDEX SEASONALITY TABLE

Ticker	Sector Index	Seasonality		Average % Return †	
		Start	Finish	10-Year	5-Year
XNG	Natural Gas	February E	June B	18.6	10.4
RXH	Healthcare Prov	March E	June M	13.9	8.4
XCI	Computer Tech	April M	July M	14.8	3.0
RXP	Healthcare Prod	April M	July B	9.7	2.3
MSH	High-Tech	April M	July M	15.5	4.0
IIX	Internet	April M	July B	15.1	7.5
BTK	Biotech	July E	March B	38.3	15.6
XAU	Gold & Silver	July E	September E	20.0	20.8
UTY	Utilities	July E	January B	12.1	13.4
CMR	Consumer	September E	June B	15.1	11.2
RXP	Healthcare Prod	September E	February M	12.3	9.6
RXH	Healthcare Prov	September E	January B	10.6	6.0
DRG	Pharmaceutical	September B	February M	9.7	3.9
XTC	Telecom	September E	January M	21.3	22.7
BKX	Banking	October B	June B	21.1	17.2
XBD	Broker/Dealer	October B	April M	45.7	21.6
XCI	Computer Tech	October B	January B	22.0	17.8
CYC	Cyclical	October B	May M	22.0	21.8
MSH	High-Tech	October B	January M	28.6	20.1
IIX	Internet	October B	January B	40.6	27.6
S5MATR *	Materials	October M	May M	18.8	17.5
RMZ	Real Estate	October E	July B	18.9	23.0
SOX	Semiconductor	October E	December B	22.0	18.7
DJT	Transports	October B	May B	22.5	21.1
XOI	Oil	December M	June M	16.0	16.4

† Average % Return based on full seasonality completion through April 2007

* S5MATR Available @ bloomberg.com

DECEMBER

Chanukah

FREE LUNCH Menu Emailed to Almanac Investor Subscribers (Page 110)



MONDAY

D 61.9
S 61.9
N 52.4

22

If a man can see both sides of a problem, you know that none of his money is tied up in it. — Verda Ross

Watch For the Santa Claus Rally (Page 112)



TUESDAY

D 66.7
S 71.4
N 81.0

23

Fortune favors the brave. — Virgil (Roman Poet, Aeneid, 70-19 B.C.)

(Shortened Trading Day)

Last Trading Day Before Christmas Weak Dow Down 4 of Last 5

WEDNESDAY

D 52.4
S 52.4
N 61.9

24

The first rule is not to lose. The second rule is not to forget the first rule.

— Warren Buffett (CEO Berkshire Hathaway, investor & philanthropist, b. 1930)

Christmas Day (Market Closed)

THURSDAY

25

*Almost any insider purchase is worth investigating for a possible lead to a superior speculation.
But very few insider sales justify concern. — William Chidester*

(Shortened Trading Day)

*First Trading Day After Christmas Dow Up 9 in a Row 1990-1998,
50:50 Since*



FRIDAY

D 76.2
S 66.7
N 66.7

26

There are very few instances in history when any government has ever paid off debt.

— Walter Wriston (Retired CEO of Citicorp and Citibank)

SATURDAY

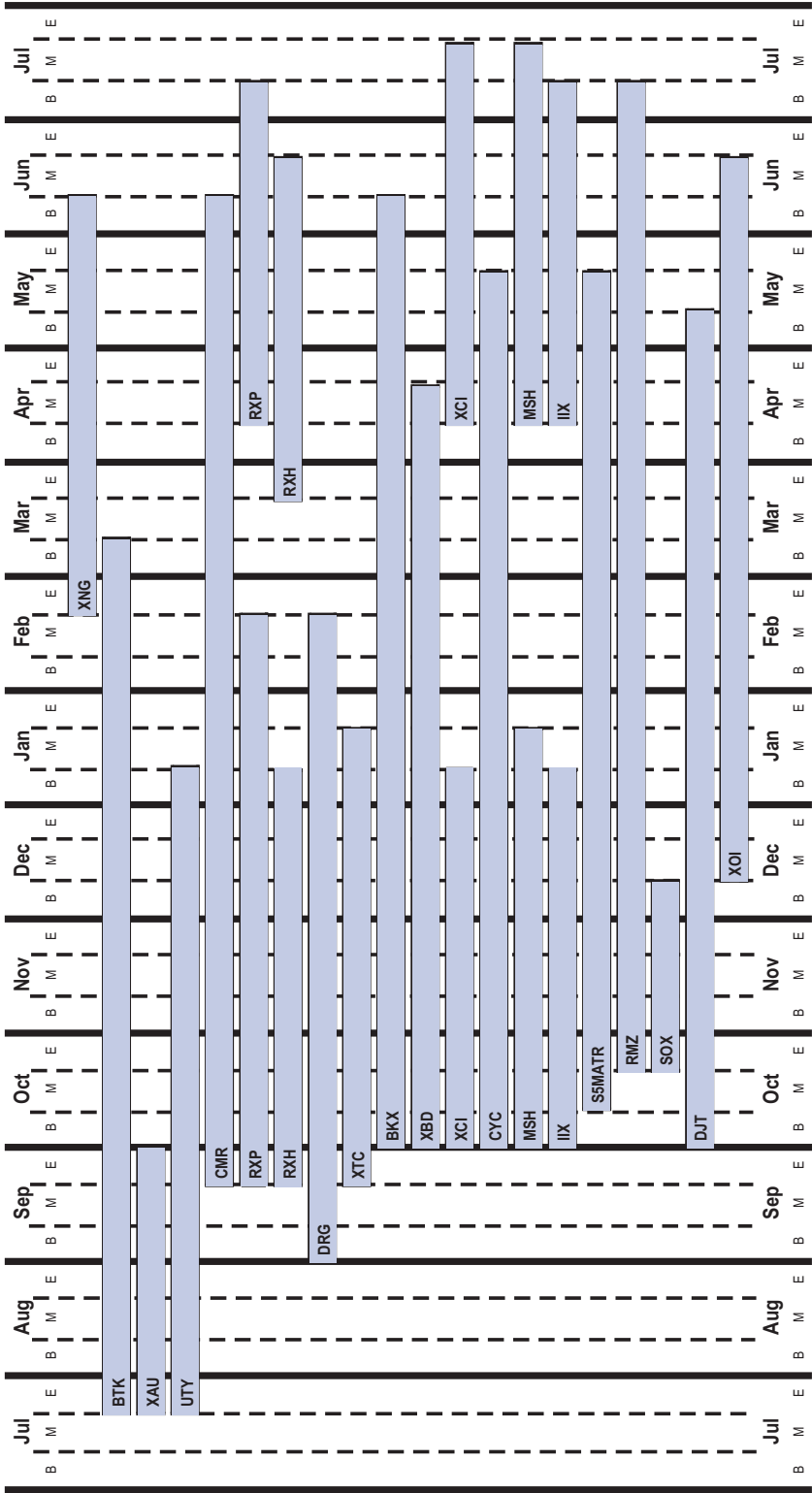
27

January Almanac Investor Seasonalities: see Pages 114 & 116

SUNDAY

28

Sector Index Seasonality Strategy Calendar*



* Graphic representation of the Sector Index Seasonality Table on page 114

DECEMBER/JANUARY 2009



MONDAY

D 61.9
S 61.9
N 61.9

29

Follow the course opposite to custom and you will almost always do well.

— Jean-Jacques Rousseau (Swiss philosopher, 1712-1778)

Week After December Triple Witching Dow Up 12 of last 16



TUESDAY

D 47.6
S 66.7
N 61.9

30

Love your enemies, for they tell you your faults. — Benjamin Franklin (US Founding Father, diplomat, inventor, 1706-1790)

*Last Day of the Year NASDAQ Down 7 Straight After Being Up 29 in a Row!
Dow Down 7 of Last 11*



WEDNESDAY

D 38.1
S 33.3
N 66.7

31

The real difference between men is energy. A strong will, a settled purpose, an invincible determination, can accomplish almost anything; and in this lies the distinction between great men and little men.

— Buckminster Fuller (American architect, author, 1895-1983)

New Year's Day (Market Closed)

THURSDAY

1

Patriotism is when love of your own people comes first. Nationalism is when hate for people other than your own comes first.

— Charles De Gaulle (French president and WWII General, 1890-1970, May 1969)

First Trading Day of the Year NASDAQ Up 8 of Last 10

FRIDAY

D 61.9
S 42.9
N 61.9

2

All a parent can give a child is roots and wings. — Chinese proverb

SATURDAY

3

SUNDAY

4

2009 STRATEGY CALENDAR


(Option expiration dates encircled)

	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
JANUARY	29	30	31	1 JANUARY New Year's Day	2	3	4
	5	6	7	8	9	10	11
	12	13	14	15	16	17	18
	19 Martin Luther King Day	20	21	22	23	24	25
	26	27	28	29	30	31	1 FEBRUARY
FEBRUARY	2	3	4	5	6	7	8
	9	10	11	12	13	14 ♥	15
	16 Presidents' Day	17	18	19	20	21	22
	23	24	25 Ash Wednesday	26	27	28	1 MARCH
MARCH	2	3	4	5	6	7	8 Daylight Saving Time Begins
	9	10	11	12	13	14	15
	16	17 St. Patrick's Day	18	19	20	21	22
	23	24	25	26	27	28	29
	30	31	1 APRIL	2	3	4	5
APRIL	6	7	8	9 Passover	10 Good Friday	11	12 Easter
	13	14	15 Tax Deadline	16	17	18	19
	20	21	22	23	24	25	26
	27	28	29	30	1 MAY	2	3
MAY	4	5	6	7	8	9	10 Mother's Day
	11	12	13	14	15	16	17
	18	19	20	21	22	23	24
	25 Memorial Day	26	27	28	29	30	31
JUNE	1 JUNE	2	3	4	5	6	7
	8	9	10	11	12	13	14
	15	16	17	18	19	20	21 Father's Day
	22	23	24	25	26	27	28

Market closed on shaded weekdays; closes early when half-shaded.

2009 STRATEGY CALENDAR

(Option expiration dates encircled)

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
29	30	1 JULY	2	3	4 Independence Day	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31	1 AUGUST	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31	1 SEPTEMBER	2	3	4	5	6
7 Labor Day	8	9	10	11	12	13
14	15	16	17	18	19 Rosh Hashanah	20
21	22	23	24	25	26	27
28 Yom Kippur	29	30	1 OCTOBER	2	3	4
5	6	7	8	9	10	11
12 Columbus Day	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31 	1 NOVEMBER Daylight Saving Time Ends
2	3 Election Day	4	5	6	7	8
9	10	11 Veterans' Day	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26 Thanksgiving	27	28	29
30	1 DECEMBER	2	3	4	5	6
7	8	9	10	11	12 Chanukah	13
14	15	16	17	18	19	20
21	22	23	24	25 Christmas	26	27
28	29	30	31	1 JANUARY New Year's Day	2	3

JULY

AUGUST

SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER