



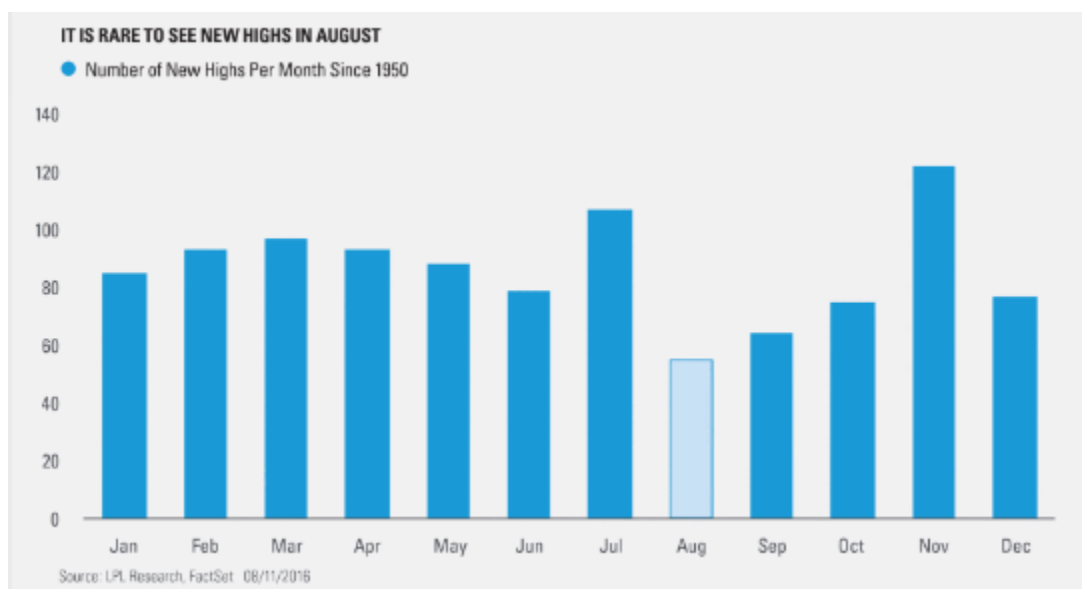
August New Highs

(Rare....and...meaningful?)

"Successful investing is anticipating the anticipation of others"
Economist John Maynard Keynes

Last week the S&P500 made another new high, the ninth since July 11th (which was the first high in about 14 months). Historically, August has been a very weak month and some of the largest drops tend to take place in August as holidays kick in, and lighter volumes allow for exaggerated moves.

But what is interesting, is that new highs are rare in the month of August. In fact, going back to 1950, the month of August ranks dead last for new highs (actually only about 5% of all highs were made in August).



Sure, the S&P500 had back-to-back highs in August 2013 and 2014, but prior to that you'd have to go all the way back to 1993 to find the last one. Out of 1,035 new highs since 1954, only 55 were in August.

So, you get the point: New market highs are rare in August.

Now, taking it to the next step, what has this meant in the past? What might it mean for the rest of the year? In those 15 cases since 1950 that August made new highs, the average return for the S&P500 for the rest of the year (Sept to Dec) was only 2.0%. If you take out 1987 with its 25% drop, that number bumps to a still light 3.0%.

Year	New Highs In August	S&P 500 At End of August	Rest of Year Return (Sept Until Year End)
1956	1	47.51	-1.8%
1959	1	59.60	0.5%
1961	6	68.07	5.1%
1967	3	93.64	3.0%
1972	4	111.09	6.3%
1980	6	122.38	10.9%
1986	2	252.93	-4.3%
1987	8	329.80	-25.1%
1989	3	351.45	0.6%
1991	4	395.43	5.5%
1992	1	414.03	5.2%
1993	6	463.56	0.6%
1997	1	899.47	7.9%
2013	2	1632.97	13.2%
2014	5	2003.37	2.8%
2016	?	?	?
Average			2.0%
Median			3.0%
Max			13.2%
Min			-25.1%
% Higher			80.0%

Source: LPL Research, FactSet 08/11/2016

Now, what about new highs made in August during the election year? There are only four periods which can be considered, and as the chart shows, the median return was almost 6%, which from here to year end would be a decent finish to 2016.

**NEW S&P 500 HIGHS IN AUGUST OF AN ELECTION YEAR HAVE BEEN VERY STRONG
FOR THE REST OF THE YEAR**

Presidential Cycle Year	Year	New Highs In August	S&P 500 At End of August	Rest of Year Return (Sept Until Year End)
4	1956	1	47.51	-1.8%
4	1972	4	111.09	6.3%
4	1980	6	122.38	10.9%
4	1992	1	414.03	5.2%
4	2016	?	?	?
Average				5.2%
Median				5.8%
Max				10.9%
Min				-1.8%
% Higher				75%

Source: LPL Research, FactSet 08/11/2016

These new highs have also come in the midst of a large number of market commentators which have been negative on the markets. Rarely will you see any kind of large pullback with so much bearish sentiment. The recent market action has been another example of when the majority is of one opinion, the best course of action may be to go the other way from the masses.

Pure contrarian thinking. And the reaction post Brexit vote, the move in energy , and the move in interest rates, commodities and emerging markets are all examples of going against the crowd's thinking, and all of which have had big moves so far in 2016.

In Canada, how about the TSX? Well, we need about 1,000 points before we can discuss new highs, and that will be awhile coming.

Short-term, we might get a small pullback once more before the US Presidential election, but would use it to buy, expecting more record highs by year end (in the USA anyway).

Stay tuned,

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