Infomail
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By The Numbers……

December tends to historically be the strongest month of year for equity markets around the globe. The S&P 500 Index has closed higher 76% of the time, averaging +1.7%. Returns for the Canadian equity markets tend to be even better, with an 86% chance of a gain the past 37 years, averaging a +2.2% return. Most of gains by the way have historically been realized in the last half of the month, in what has become known as the Santa Claus Rally.

In the interim, until Santa Claus comes to town, with the recent weakness in energy, and last week in financials, the TSX has struggled. But between December 5th to December 15th, tax loss selling tends to dominate. The S&P 500 Index has averaged a decline of 0.91% during this period. Typically, the areas of the market which are most vulnerable to tax loss selling pressures are the names that have returned 5% or less by the end of November, including small caps and energy.

Since 1950, the S&P 500 has been "up" in December 49 years and "down" 15 years with an average monthly gain of 1.62%.

Looking out a little further into 2015, it seems like the factors are lining up for the Bulls.

According to the Stock Trader's Almanac, 2015 should be a banner year:

- It is the year after US midterm elections which have not been negative since 1950 (17 instances)
- It is year 3 of a Presidential Term, which is by far the most bullish of the 4 year terms, and especially true in a second term Presidency (since 1939 – the Dow has averaged 16%, S&P 500 16.3% and Nasdaq almost 31%)
- It's a year ending in "5" - which has had only one down year the last 13 <u>decades</u> (average gain Dow +28%, S&P +25%, Nasdaq +25%)

- In the last 84 years, there have been only 3 times when the markets were up double digits 3 years in a row. In each of those occurrences, the 4th year was up an average of +23.1%
- Pre-presidential election years have seen no losers in 76 years

Going into the New Year, it presents some headwinds. The velocity in energy has raised eyebrows. The strong US dollar has created imbalances. I think the biggest concern remains within Washington, DC, and whether or not President Obama moves more to the center or whether he “digs in his heels.”

There’s a lot of historical data in the numbers above. I will take those odds and I remain bullish. Doesn’t mean we can’t get 10-15% pullbacks or corrections in the interim, but the overall year will be a good one.

I am counting on the President’s main concern being his legacy now, to repair a damaged Presidency, and that he will move to center like President Clinton did and it created a heck of a run higher.

Stay tuned,

Vito Finucci
Vice President and Director
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