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March Almanac: Beware the Ides and Month-End Weakness

By Jeffrey A. Hirsch
Chief Market Strategist

Boisterous March markets tend to drive prices up early in the month and batter stocks at month end. Julius Caesar failed to heed the famous warning to "beware the Ides of March" but investors have been served well when they have. Stock prices have a propensity to decline, sometimes rather precipitously, during the latter days of the month. In March 2001, DJIA plunged 1469 points (13.5%) from March 9 to the 22.

March packs a rather busy docket. It is the end of the first quarter, which brings with it Triple Witching and an abundance of portfolio maneuvers from The Street. March Triple-Witching Weeks have been quite bullish in recent years. But the week after is the exact opposite, DJIA down 22 of the last 32 years — and frequently down sharply for an average drop of 0.72%. In 2018, DJIA lost 1413 points (-5.67%). Notable gains during the week after for DJIA of 4.88% in 2000, 3.06% in 2007, 6.84% in 2009, and 3.05% in 2011 are the rare exceptions to this historically poor performing timeframe.

Normally a decent performing market month, March is above average in election years with advances 64.7% of the time with a 1.0% average DJIA gain since 1952. S&P 500 has also advanced 64.7% of the time since 1952, but gains have been slightly better at 1.2%, on average. NASDAQ has not fared well in March in election years since 1972. Due to a 17.1% loss in 1980, March is NASDAQ's second worst month of the election year.

Saint Patrick's Day is March's sole recurring cultural event. Gains the day before Saint Patrick's Day have been greater than the day itself and the day after. Perhaps it's the anticipation of the patron saint's holiday that boosts the market and the distraction from the parade down Fifth Avenue that causes equity markets to languish. Or maybe it's the fact that Saint Pat's usually falls in historically bullish Triple-Witching Week.

Whatever the case, since 1950, the S&P 500 posts an average gain of 0.19% on Saint Patrick's Day (or the next trading day when it falls on a weekend), a gain of 0.13% the day after and the day before averages a 0.24% advance. S&P 500 median values are 0.18% on the day before, 0.22% on Saint Patrick's Day and 0.05% on the day after. In the ten years when St. Patrick's Day falls on a Tuesday, like this year, since 1950, the day before (Monday) produced an average gain of 0.07%, while Tuesday advanced an average 0.66% and Wednesday averaged 0.38%.

Election Year March since 1950

	Rank[1]	Avg %	Up	Down
DJIA	3	1.0	11	6
S&P 500	4	1.2	11	6
NASDAQ*	11	–0.9	7	5

[1] *Based upon the average historical monthly performance of the indices in comparison to other months of the year.*
** Since 1971*

March Vital Stats (1950-2019)

	DJIA		S&P 500		NASDAQ	
Rank[2]	5		4		6	
# Up	45		45		31	
# Down	25		25		18	
Average %	1.0		1.2		0.9	
4-Year Presidential Election Cycle Performance by %						
Post-Election	0.3		0.6		–0.2	
Mid-Term	1.0		1.1		1.3	
Pre-Election	1.8		1.9		3.1	
Election	1.00		1.2		–0.9	
Best & Worst March by %						
Best	2000	7.8	2000	9.7	2009	10.9
Worst	1980	–9.0	1980	–10.2	1980	–17.1
March Weeks by %						
Best	3/13/2009	9	3/13/2009	10.7	3/13/2009	10.6
Worst	3/16/2001	-7.7	3/6/2009	-7	3/16/2001	-7.9
March Days by %						
Best	3/23/2009	6.8	3/23/2009	7.1	3/10/2009	7.1
Worst	3/2/2009	–4.2	3/2/2009	–4.7	3/12/2001	–6.3
March 2019 Bullish Days: Data 1999-2019						
	2, 12, 26, 18, 30		2, 4, 12, 16, 18		2, 4, 12, 17-20 25, 30	
March 2019 Bearish Days: Data 1999-2019						
	3, 24, 26		3, 13, 23, 26		3, 6, 13, 26	

[2] *Based upon the average historical monthly performance of the indices in comparison to other months of the year.*
[3] *Based on the S&P 500 Rising 60% or more of the time on a particular trading day.*
[4] *Based on the S&P 500 Falling 60% or more of the time on a particular trading day.*

Inside

March Outlook: Coronavirus Fears Grip Wall Street

The Dow Jones Industrial Average suffered its worst one-day point loss on February 27. The market was down all day, but fluctuated dramatically with the headlines. Widespread selling pushed the market into correction territory with the Dow down 12.8% from its February 12 all-time high as of the close on February 27. S&P 500 and NASDAQ are down 12.0% and 12.7% from their respective February 19 all-time highs.

At 8 calendars days long (6 trading days), this is the fastest 10% correction for the S&P 500 from a new all-time high on record. The 1929 2-day crash (DJIA -23.0%), 1987's 1-day crash (S&P -20.5%) and 2001's 5-day slide after 9/11 (S&P 11.6%) were faster but not from new highs. Of the 35 previous corrections since 1950, 10 have turned into bears of -20% or more with an average loss of 34.4%. The 25 other corrections averaged a loss of 14.3% and lasted 133 calendar days on average. It was 422 calendar days from the end of the last correction on December 24, 2018 to the recent S&P high on February 19.

Fears of coronavirus spreading rapidly and causing some sort of lasting global supply chain disruption and economic downturn have come at a time of elevated market valuations, seasonal February weakness and the heating up of a contentious presidential election battle.

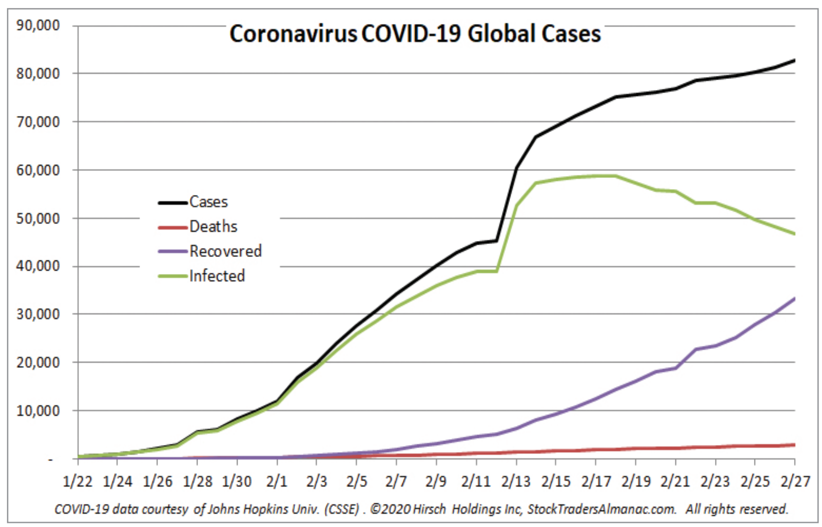
No matter how you slice it this is disconcerting for the market. But let's look at the facts we have. This decline has brought elevated valuations and euphoric sentiment down from the recent lofty levels and election cycle patterns remain encouraging. Heightened fear of the virus spreading rapidly here in the U.S. and elsewhere has folks reacting to the headlines without reading further.

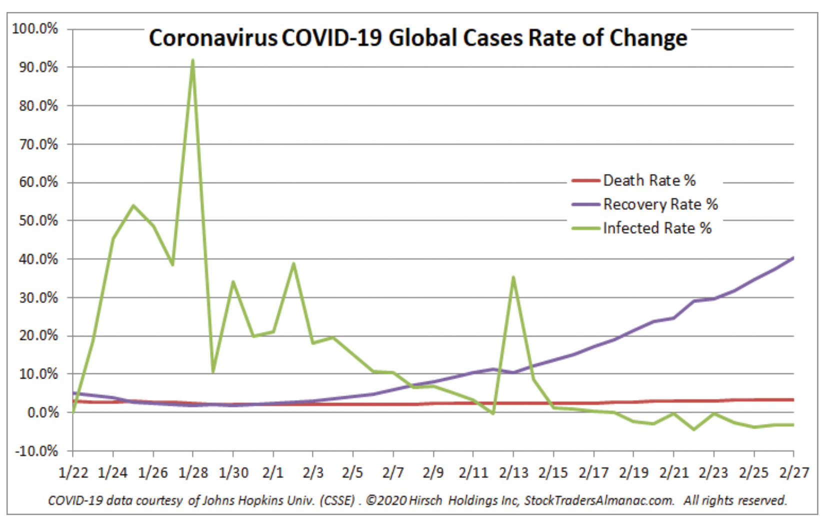
For example in this story from the Bay Area CBS affiliate "California Monitoring 8,400 For Coronavirus; Shortage Of Testing Kits Addressed," if you scroll down a bit and read the details of the story it says, *"The California Department of Public Health maintains the risk to the general population in California is low for the coronavirus, and that more than 80% of people infected with the virus have mild or no symptoms."*

Fear is clearly spreading faster than the virus. Official coronavirus numbers from the best sources we can find show a situation that continues to improve on a global level. Using the data from the excellent interactive web-based dashboard that tracks the Global Cases of Coronavirus COVID-19 created by the Center for Systems Science and Engineering (CSSE) at Johns Hopkins University we have created the graphs below.

The rate of new cases per day has decreased from the mid-February spike to 1.7% and the death rate has remained stable with the vast majority on Mainland China. Optimistically, the recovery rate continues to rise and is now at 40.2%. Of the 82,756 global cases at this writing, 2,814 have died, 33,277 have recovered and 46,665 remain infected.

So, while there is still plenty to be concerned about for all of us individually and for health and government officials the numbers we have are improving. In the February 2020 issue we detailed the history of how contagions and outbreaks have impacted the market. Since the coronavirus was confirmed and made public on January 10, 2020 the S&P 500 is down 8.8% at the February 27 close.





Down January and December Closing Low

Coronavirus has also impacted a couple of our key indicators: the January Barometer (page 22 *Stock Trader's Almanac 2020*) and the December Closing Low Indicator (page 34 *Stock Trader's Almanac 2020*). January 31's market decline turned the January Barometer negative as the S&P 500 finished January down 0.2%. This diminished our near-term outlook for the market as every down January since 1950 was followed by a new or continuing bear market, a 10% correction or a flat year.

Heightened coronavirus uncertainties the last of February knocked the Dow below its December closing low. Years the Dow has closed below its previous December closing low in Q1 the Dow has fallen 10.5% further on average. But in the last 22 occurrences since 1980, 15 of those years have seen gains for the rest of the year averaging 9.7%. Only two years had big hits: 2002 (-14.1, Iraq War) and 2008 (-32.7, Financial Crisis).

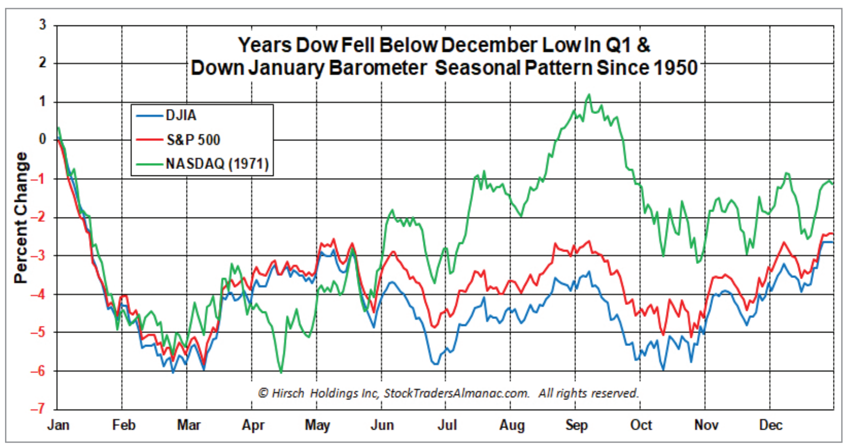
The table on right shows the years when both the January Barometer as measured by the S&P 500 were down and the Dow closed below its previous December closing low in the first quarter. We have also created a composite seasonal pattern chart of these 22 years showing how the Dow, S&P 500 and NASDAQ Composite behaved on average in such years.

As you can see from this table and graph most of the negatives of a Down January and a Dow December closing low breach appear to have been satisfied. No one knows what will happen with this virus, but history and the data suggest we have seen the bulk of the worst of the virus and the market decline.

Years Dow Fell Below December Low In First Quarter & Down January Barometer (S&P 500)

Year	Previous Dec Low	Date Crossed	Crossing Price	Date Low	Subseq. Low	% Change Cross-Low	Days to Low	Low to YE % Change	Rest of Year % Change	Full Year % Change	Jan Bar
1953	281.63	2/11/1953	281.57	9/14/1953	255.49	– 9.3%	215	9.9%	– 0.2%	– 3.8%	– 0.7%
1956	480.72	1/9/1956	479.74	1/23/1956	462.35	– 3.6%	14	8.0%	4.1%	2.3%	– 3.6%
1957	480.61	1/18/1957	477.46	10/22/1957	419.79	– 12.1%	277	3.8%	– 8.7%	– 12.8%	– 4.2%
1960	661.29	1/12/1960	660.43	10/25/1960	566.05	– 14.3%	287	8.8%	– 6.7%	– 9.3%	– 7.1%
1962	720.10	1/5/1962	714.84	6/26/1962	535.76	– 25.1%	172	21.7%	– 8.8%	– 10.8%	– 3.8%
1968	879.16	1/22/1968	871.71	3/21/1968	825.13	– 5.3%	59	14.4%	8.3%	4.3%	– 4.4%
1969	943.75	1/6/1969	936.66	12/17/1969	769.93	– 17.8%	345	4.0%	– 14.6%	– 15.2%	– 0.8%
1970	769.93	1/26/1970	768.88	5/26/1970	631.16	– 17.9%	120	32.9%	9.1%	4.8%	– 7.6%
1973	1000.00	1/29/1973	996.46	12/5/1973	788.31	– 20.9%	310	7.9%	– 14.6%	– 16.6%	– 1.7%
1977	946.64	2/7/1977	946.31	11/2/1977	800.85	– 15.4%	268	3.8%	– 12.2%	– 17.3%	– 5.1%
1978	806.22	1/5/1978	804.92	2/28/1978	742.12	– 7.8%	54	8.5%	0.01%	– 3.1%	– 6.2%
1982	868.25	1/5/1982	865.30	8/12/1982	776.92	– 10.2%	219	34.7%	20.9%	19.6%	– 1.8%
1984	1236.79	1/25/1984	1231.89	7/24/1984	1086.57	– 11.8%	181	11.5%	– 1.6%	– 3.7%	– 0.9%
1990	2687.93	1/15/1990	2669.37	10/11/1990	2365.10	– 11.4%	269	11.4%	– 1.3%	– 4.3%	– 6.9%
2000	10998.39	1/4/2000	10997.93	3/7/2000	9796.03	– 10.9%	63	10.1%	– 1.9%	– 6.2%	– 5.1%
2002	9763.96	1/16/2002	9712.27	10/9/2002	7286.27	– 25.0%	266	14.5%	– 14.1%	– 16.8%	– 1.6%
2003	8303.78	1/24/2003	8131.01	3/11/2003	7524.06	– 7.5%	46	38.9%	28.6%	25.3%	– 2.7%
2005	10440.58	1/21/2005	10392.99	4/20/2005	10012.36	– 3.7%	89	7.0%	3.1%	– 0.6%	– 2.5%
2008	13167.20	1/2/2008	13043.96	11/20/2008	7552.29	– 42.1%	323	16.2%	– 32.7%	– 33.8%	– 6.1%
2009	8149.09	1/20/2009	7949.09	3/9/2009	6547.05	– 17.6%	48	59.3%	31.2%	18.8%	– 8.6%
2014	15739.43	1/31/2014	15698.85	2/3/2014	15372.80	– 2.1%	3	15.9%	13.5%	7.5%	– 3.6%
2016	17128.55	1/6/2016	16906.51	2/11/2016	15660.18	– 7.4%	36	26.2%	16.9%	13.4%	– 5.1%
*2020**	*27502.81*	*2/26/2020*	*26957.59*	*2/27/2020*	*25766.64*	*– 4.4%*	—	—	—	—	*– 0.2%*
					Average:	**– 13.6%**	**167**	**16.8%**	**0.8%**	**– 2.7%**	**– 4.1%**
					Median:	**– 11.6%**	**177**	**11.4%**	**– 0.8%**	**– 3.8%**	**– 4.0%**
					# Up:	**0**			**10**	**8**	
					#Down:	**22**			**12**	**14**	

** As of Close February 27, 2020. Not included in totals or averages.*



The "Best Six Months" have a 70-year track record and have worked over many timeframes and through crises, exogenous events and all types of markets. Our seasonal and cyclical strategy has also stood the test of time. So stick to the system and remain rational.

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Management Team

Joseph B. Childrey, *Founder & CIO*

Jeffrey A. Hirsch, *Chief Market Strategist*
Editor, *Stock Trader's Almanac*

Mary C. Gray, *Marketing Director*

Christopher Mistal, *Chief Compliance Officer*
Director of Research

Independent Research Consultants

Allen Shepard, PhD, *Research Consultant*

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

Sidney C. Hardee, CFA, *Research Consultant*

Contact

Probabilities Fund Management, LLC
A registered investment advisor.
200 Mamaroneck Ave, Suite 300
White Plains, NY 10601
Office: 800-519-0438
Email: info@probabilitiesfund.com
Website: www.probabilitiesfund.com

Market at a Glance

Seasonal: *Bullish.* Normally a decent performing market month, March is above average in election years with advances 64.7% of the time with a 1.0% average DJIA gain since 1952. S&P 500 has also advanced 64.7% of the time since 1952, but gains have been slightly better at 1.2%, on average. NASDAQ has not fared well in March in election years since 1972 mainly due to a steep decline in 1980.

Fundamental: *Uncertain.* The market appears to be driven purely by headlines now and uncertainty is growing. How big will the economic impact of the coronavirus be? Only time will tell. History suggests a short-term impact. Growth is likely to slow as supply chains and daily life are interrupted, but once the virus is contained and/or a viable vaccine is available economies are likely to return to normal. At which time any pent-up demand could result in a surge in growth.

Technical: *Correction.* As of February 27 S&P 500 has experienced 26 corrections (decline greater than 10%, but less than 20%) since 1948. The current correction was confirmed February 27 and is the quickest to reach the threshold from a new all-time high. DJIA, S&P 500 and NASDAQ have all plunged below their respective 50- and 200-day moving averages and are still in search of support. Fear appears to be the biggest driving force now as the decline has certainly removed many of the excesses that recently existed.

> ***"Fear appears to be the biggest driving force now as the decline has certainly removed many of the excesses that recently existed."***

Monetary: *1.50-1.75%.* The Fed did not meet in February and their next meeting is in mid-March. Safe-haven demand has caused bonds to surge and yields to plunge. The declines in yields and uncertainty overhanging global growth outlooks due to spreading coronavirus could push the Fed to cut rates. However, the impact of even lower rates could be muted as the key issue is not exactly a financial condition, it is a medical concern.

Psychological: *Neutral.* According to *Investor's Intelligence* Advisors Sentiment survey Bullish advisors are at 49.1%. Correction advisors are at 31.7% and Bearish advisors are 19.2%. However, this survey was taken right before the bulk of the current retreat transpired. Bullish sentiment has most likely had a further and more sizeable retreat since then. Historically, high levels of bearish and correction advisors are observed at new broad buying windows.

Index Definitions: The S&P 500 Index is an unmanaged composite of 500 large capitalization companies. This index is widely used by professional investors as a performance benchmark for large-cap stocks. The Dow Jones Industrial Average ('DJIA') is an unmanaged composite of 30 widely held stocks. The NASDAQ Index is an unmanaged composite of the common stocks and similar securities listed on the NASDAQ Stock Market. The Russell 2000 Index is an unmanaged composite of the bottom 2,000 stocks in the Russell 3000 Index. The Russell 3000 Index is an unmanaged composite of the 3,000 largest publicly held companies incorporated in America as measured by total market capitalization. The Russell 2000 index is widely used by professional investors as a performance benchmark for small-cap stocks. You cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses or sales charges. Past performance does not guarantee future results.

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