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March Almanac: Stronger in Midterm Years

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As part of the Best Six/Eight Months, March has historically been a solid performing month with DJIA, S&P 500 and NASDAQ all advancing more than 62% of the time with average gains ranging from 0.6% by NASDAQ to 1% by S&P 500. Over the recent 21-year period, March has tended to open well with gains accumulating over its first three trading days. Temporary weakness follows before moving modestly higher into mid-month through month's 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 2020, DJIA plunged nearly 4012 points (-17.3%) during the week ending on the 20th. Removing the highly volatile Marches of 2009 and 2020 from the recent 21-year chart has a minimal effect on the overall monthly pattern.

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 34 years — and frequently down sharply. 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, 3.05% in 2011 and 12.84% in 2020 are the rare exceptions to this historically poor performing timeframe.

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Midterm Year March since 1950				
	Rank ¹	Avg %	Up	Down
DJIA	4	1.0	12	6
S&P 500	4	1.1	12	6
NASDAQ*	3	1.3	7	5
¹ Based upon the average historical monthly performance of the indices in comparison to other months of the year.				
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March Vital Stats (1950-2021)						
	DJIA		S&P 500		NASDAQ	
Rank ²	6		6		8	
# Up	46		46		32	
# Down	26		26		19	
% Higher	63.9		63.9		62.7	
Average %	0.9		1.0		0.6	
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	0.2		0.4		-1.6	
Best & Worst March by %						
Best	2000	7.8	2000	9.7	2009	10.9
Worst	2020	-13.7	2020	-12.5	1980	-17.1
March Weeks by %						
Best	3/27/2020	12.8	3/13/2009	10.7	3/13/2009	10.6
Worst	3/20/2020	-17.3	3/20/2020	-15	3/20/2020	-12.6
March Days by %						
Best	3/24/2020	11.4	3/24/2020	9.4	3/13/2020	9.4
Worst	3/16/2020	-12.9	3/16/2020	-12.0	3/16/2020	-12.3
March 2022 Bullish Days ³ : Data 2000-2021						
	1, 9, 14, 15, 17 25, 30		1, 3, 9, 17		1, 11, 16-18, 22 25, 30	
March 2022 Bearish Days ⁴ : Data 2000-2021						
	2, 21, 23, 24		2, 21, 23		2, 7, 28	
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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.						

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March Almanac: Stronger in Midterm Years

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Normally a solid performing market month, March improves in midterm-election years (see Vital Statistics table on page 1). In midterm years March ranks: 4th best for DJIA and S&P 500 and 3rd best for NASDAQ while the small-cap Russell 2000 lands at second best. DJIA, S&P 500 and Russell 2000 have been up for five of the last six midterm Marches.

Saint Patrick's Day is March's sole recurring cultural event. Gains on Saint Patrick's Day have been greater than the day before and the day after. Perhaps it's the celebratory mood of the patron saint's holiday that boosts the market and the aftereffects of that celebration 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 0.27% on Saint Patrick's Day (or the next trading day when it falls on a weekend), a gain of 0.03% the day after and the day before averages a 0.07% advance. S&P 500 median values are 0.17% on the day before, 0.23% on Saint Patrick's Day and 0.01% on the day after. In the ten years when St. Patrick's Day falls on a Thursday, like this year, since 1950, the day before (Wednesday) produced an average gain of 0.03%, while Thursday averaged 0.38% and Friday averaged 0.15%.

March Outlook: Cold War 2.0 – Bear Lurks – Midterm Bottom Nears

Despite all the warnings and rhetoric from the U.S. et al and Putin's own words the world still seemed unprepared and shocked by Russia's full-scale invasion of Ukraine that got officially underway at dawn local time February 24, 2022, with the brazen, matter-of-fact speech by Russian leader Vladimir Putin in no uncertain terms threatening the west with historic wrath should they interfere.

Under the auspices of protecting the breakaway regions and his disdain for NATO's continued eastward expansion toward his borders he launched his gambit to take over Ukraine as he made the case that Ukraine is rightfully and has historically for centuries been part of Russia. The U.S. was not too thrilled with Russian Missiles in Cuba in October 1962, which at the height of the Cold War set off the Cuban missile crisis.

In the table at right we compiled the relevant historical geopolitical events that had an impact on energy prices and/or sovereign boundaries. As you can see the longer more

drawn-out crises were accompanied by weaker markets. Arguably back in 2014 Putin stopped in Crimea due to plunging oil prices hurting his coffers. Our guess is he will use the same playbook or similar for the rest of Ukraine and eventually try to kick out the pro-western government and hold some kind of election to install and establish a new pro-Russian government.

Russia will try to take over all or most of Ukraine. There will be resistance as we have already witnessed, and it appears to be

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S&P 500 Performance During Geopolitical & Energy Crises						
Date	Crisis	1 Month	3 Months	6 Months	9 Months	12 Months
9/1/1939	Germany Invades Poland	15.21	9.93	7.87	-17.44	-5.55
5/10/1940	Germany Invades France	-25.83	-14.52	-6.27	-16.25	-20.87
12/7/1941	Pearl Harbor Attack	-4.05	-12.26	-9.70	-7.46	-0.85
6/25/1950	N Korea Invades S Korea	-9.98	1.46	4.08	12.49	11.23
10/29/1956	Suez Canal Crisis	-4.08	-3.37	-1.17	3.57	-12.06
11/4/1956	Russian Invades Hungary	-2.43	-5.21	-1.51	0.60	-14.07
10/15/1962	Cuban Missile Crisis	5.30	14.33	21.32	21.51	27.13
8/20/1968	Russian Invades Czechoslovakia	2.69	7.04	0.80	5.09	-3.97
10/19/1973	Arab Oil Embargo	-8.45	-13.28	-14.78	-24.06	-33.19
11/3/1979	Iran Hostage Crisis	3.24	11.57	3.78	18.02	25.88
12/24/1979	USSR Invades Afghanistan	5.68	-7.72	7.02	21.17	26.29
8/2/1990	Iraq Invades Kuwait	-9.12	-12.28	-2.02	7.03	8.91
3/20/2003	Iraq War	2.06	13.92	17.02	25.05	25.33
2/20/2014	Russia Annexed Crimea	2.37	2.41	8.63	12.25	15.40
Average:		-1.96	-0.57	2.50	4.40	3.54
Median:		-0.18	-0.95	2.29	6.06	4.03
Up:		7	7	8	10	7
Down:		7	7	6	4	7
% Up:		50.0	50.0	57.1	71.4	50.0
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March Outlook: Cold War 2.0 – Bear Lurks – Midterm Bottom Nears

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stouter than Russia expected. Ukraine's military is no match for Russia and there is not much the west can do about it either on the ground or militarily. We just don't have the stomach or bandwidth for it. Sure, we will battle him on the economic front with sanctions and with cyber as well as support for Ukraine and NATO, but Russia has prepared for this and has withstood it before for decades during the Cold War.

We are likely looking at sanctions on Russia for many years. He has been preparing for this for years and in earnest when he ramped up his rhetoric six months ago in his notorious essay. He does not need the west now and it looks like China has clearly approved this action by the recent friendly summits and likely has his back.

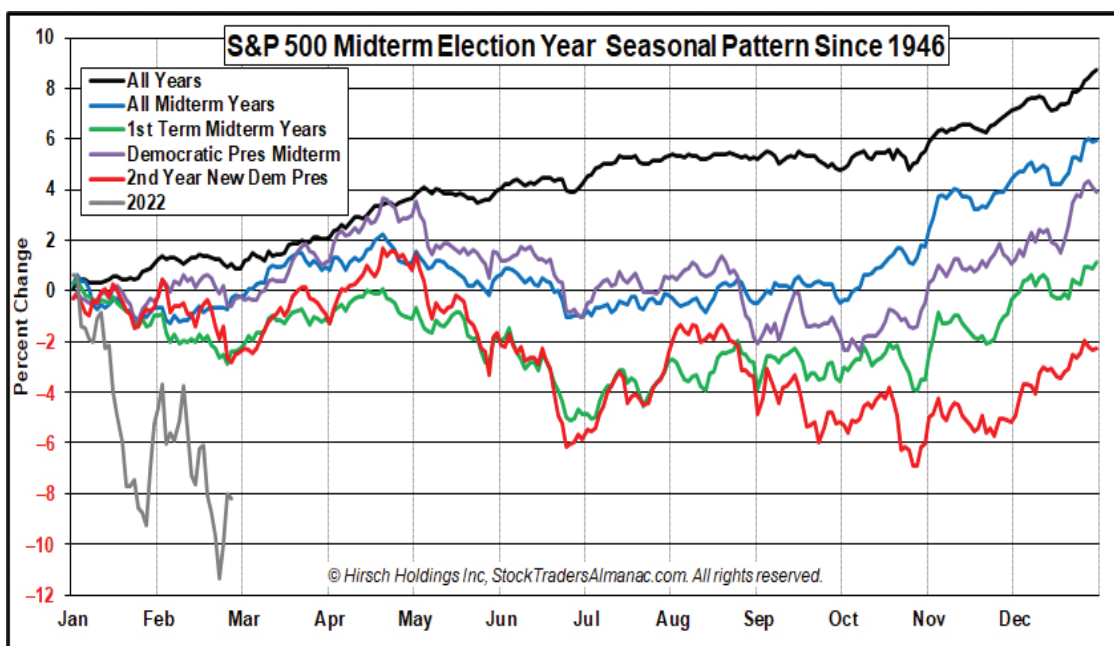
Putin has been selling dollars and amassing gold in preparation for this and has benefited greatly from the rise in oil prices.

Midterm Bottom Nears

However, the market showed some impressive resilience to this invasion with the big rebound off the initial selloff. As we have been warning all year long this is typical midterm election action

for a new president where foreign adversaries take advantage of new administration perceived weakness and unpreparedness.

Unfortunately, our worst-case scenario has now come into play. But on the positive side it looks like the midterm bottom is nearing. When we made our 2022 Annual Forecast this past December prospects for a full-scale Russian invasion of Ukraine were low. For now, we believe volatility is likely to continue through Q2 and Q3 as the market seeks support, digests the developments in Ukraine and elsewhere in the geopolitical arena, and on the Fed/inflation front. We still believe the Q4 rally illustrated in our updated chart here of the S&P 500 Midterm Election Year Seasonal Pattern to materialize as we approach the midterm elections in the late summer or early fall.



Index Definitions: The S&P 500 Index is an unmanaged composite of 500 large capitalization companies. This index is widely used by professional investors as a performance benchmark for large-cap stocks. The Dow Jones Industrial Average ('DJIA') is an unmanaged composite of 30 widely held stocks. The NASDAQ Index is an unmanaged composite of the common stocks and similar securities listed on the NASDAQ Stock Market. The Russell 2000 Index is an unmanaged composite of the bottom 2,000 stocks in the Russell 3000 Index. The Russell 3000 Index is an unmanaged composite of the 3,000 largest publicly held companies incorporated in America as measured by total market capitalization. The Russell 2000 index is widely used by professional investors as a performance benchmark for small-cap stocks. You cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses or sales charges. The Wilshire 5000 is a market-capitalization-weighted index of the market value of all US-stocks actively traded in the United States. As of December 31, 2020, the index contained only 3463 components. The index is intended to measure the performance of most publicly traded companies headquartered in the United States, with readily available price data. Past performance does not guarantee future results.

Moving Average Convergence Divergence (MACD): A trend-following momentum indicator that shows the relationship between two moving averages of prices.

Santa Claus Rally: Discovered and named by Yale Hirsch in 1972 and published in the 1973 *Stock Trader's Almanac*. Santa Claus tends to come to Wall Street nearly every year, bringing a short, sweet, respectable rally within the last five days of the year and the first two in January. This rally has been averaged 1.3% S&P 500 gain since 1969. Santa's failure to show tends to precede bear markets, or times stocks could be purchased later in the year at much lower prices.

Triple Witch Week: Is the week containing the third Friday in March, June, September and December when stock options, index options and index futures expire on Friday.

January Effect: Is the tendency of small-cap stocks to outperform large-cap stocks in January.

January Barometer: Devised by Yale Hirsch in 1972, and published in the 1973 *Stock Trader's Almanac*, the January Barometer states that as the S&P 500 goes in January, so goes the year. This indicator has registered eleven major errors since 1950 for an 84.5% accuracy ratio.

Market at a Glance

Seasonal: *Bullish.* March is the fifth month of the Best Six/Eight Months for DJIA, S&P 500 and NASDAQ. Normally a solid month, March has historically been even stronger in midterm years ranking #4 for DJIA and S&P 500 since 1950 and #3 for NASDAQ since 1971. Average gains in midterm Marchs range from 1% from DJIA to an impressive 2.7% from Russell 2000.

Fundamental: *Murky.* Russia's invasion of Ukraine further threatens already stressed supply chains. Spiking oil prices are likely to quickly spill over and fuel inflation further. Long-term sanctions on Russia and the likely resulting suppression of global economic activity are also likely to weigh heavy in the near-term. Positively, Q4 U.S. GDP was revised higher to 7% while employment metrics remain firm. Corporate earnings have also remained solid.

Technical: *Correcting.* DJIA, S&P 500 and NASDAQ are all below their respective 50- and 200-day moving averages. A death cross has formed on NASDAQ's chart (50-day has fallen below 200-day moving average). NASDAQ is down 14.4% from its November closing high through February's close. S&P 500 is down 8.8% while DJIA is holding up best, down 7.9%. At the intraday lows on February 24, NASDAQ was down over 20%, the threshold widely used to define a bear market. All three indexes have taken out support around last

October's lows now. The next key level of support appears to be around the lows of March 2021; around DJIA 31000, S&P 500 3750 and NASDAQ 12500.

Monetary: *0 – 0.25%.* Prior to Russia's invasion consensus was building for the Fed to be more aggressive with rate hikes. Considering the amount of uncertainty that has been introduced by the invasion and sanctions our view that the Fed will likely only raise rates four times this year still appears reasonable. Spiking energy prices could cause inflation to spike higher, but the Fed is likely to view that as transitory and remain committed to its data-dependent approach. Rates will be higher however, even at 1 to 1.5%, they are still low compared to historical levels (and will still remain negative when compared to inflation's projected trajectory).

Psychological: *Neutral.* According to [*Investor's Intelligence*](#) Advisors Sentiment survey Bullish advisors have retreated to 32.2%. Correction advisors stand at 36.8% while Bearish advisors are at 31.0% as of their February 23 release. The continued swelling of the Correction and Bearish camps suggests that cash has likely been raised by this group. Historically, the best buying opportunities have occurred when Bears outnumbered Bulls (occasionally for weeks). This week's trading and geopolitical events has the potential to begin to satisfy these criteria by sending more advisors into the Bear category.

“Long-term sanctions on Russia and the likely resulting suppression of global economic activity are also likely to weigh heavy in the near-term.”

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