When the Streak is Broken

Wayne Whaley   June 28, 2013

June incurred an x.xx% loss, ending a string of seven consecutive positive months.

The 2013 Seven Month Winning Streak

#	Year	Month	%Chg	#	Year	Month	%Chg
0	2012	OCT	-1.98	4	2013	FEB	1.11
1	2012	NOV	0.28	5	2013	MAR	3.60
2	2013	DEC	0.71	6	2013	APR	1.81
3	2013	JAN	5.05	7	2013	MAY	2.08

Since 1930, there have been 16 previous occasions of seven or more consecutive positive S&P months. The internal market strength required to post a positive, multi month, march merits respect and one has been wise in the past, to view the inevitable manifestation of a negative month as a purchasing opportunity, as it was followed by a fruitful quarter in all 16 preceding cases.

S&P Performance After Seven Month Winning Streak is Broken

				Forward S&P Performance		
#	Year	Month	# Mts In Streak	1MT%	3MT%	6MT%
01	1936	APR	12	4.58	15.11	24.98
02	1936	DEC	7	3.78	4.31	-10.36
03	1943	JUL	7	1.03	2.05	1.46
04	1950	JUN	11	0.85	9.95	15.49
05	1954	AUG	11	8.31	14.78	23.23
06	1959	FEB	11	0.05	5.90	7.56
07	1961	JUN	7	3.28	3.23	10.69
08	1964	AUG	8	2.87	3.17	6.84
09	1980	DEC	8	-4.57	0.18	-3.35
10	1983	MAY	9	3.52	1.24	2.46
11	1991	JUN	7	4.49	4.50	12.37
12	1993	APR	7	2.28	1.80	6.28
13	1995	AUG	8	4.01	7.74	13.98
14	1996	JUL	8	1.88	10.21	22.85
15	2007	FEB	8	1.00	8.80	4.78
16	2009	OCT	7	5.74	3.64	14.52
17	2013	JUN	7	?	?	?
			#UP-DN =	15- 1	16- 0	14- 2
			AVG%CHG=	2.69	6.04	9.61
			MED%CHG=	3.08	4.40	9.13

Strong Starts Lead to Strong Finishes

A second angle in play in 2013 is the tendency for the S&P to finish a year in similar fashion to which it began. For example, there have been 23 previous post 1930 years in which December, January and February were all positive. The S&P was positive in the second half of 19 of those 23 years, gaining on average 7.72%, which is slightly more than the average return (7.11%) for an entire year over the test period.

S&P Second Half of Year Performance When December, January and February are Positive

#	YEAR	DEC%	JAN%	FEB%	JUL-DEC%
01	1936	3.71	6.55	1.68	15.77
02	1943	5.17	7.16	5.06	-5.51
03	1945	3.51	1.43	6.16	16.04
04	1950	4.36	1.73	1.00	15.49
05	1951	4.72	6.02	0.65	13.41
06	1954	0.20	5.12	0.27	23.18
07	1955	5.08	1.81	0.35	10.85
08	1961	4.63	6.32	2.69	10.69
09	1964	2.44	2.69	0.99	3.75
10	1971	5.68	4.05	0.91	3.43
11	1972	8.62	1.81	2.53	10.18
12	1983	1.52	3.31	1.89	-1.89
13	1985	2.24	7.41	0.86	10.13
14	1986	4.51	0.24	7.15	-3.46
15	1988	7.29	4.04	4.18	1.54
16	1991	2.48	4.15	6.73	12.37
17	1993	1.01	0.70	1.05	3.53
18	1995	1.23	2.43	3.61	13.07
19	1996	1.74	3.26	0.69	10.45
20	1998	1.57	1.02	7.04	8.41
21	2004	5.08	1.73	1.22	6.23
22	2011	6.53	2.26	3.20	-4.77
23	2012	0.85	4.36	4.06	4.70
24	2013	0.71	5.05	1.01	?
					#UP-DN = 19- 4
					AVG%CHG= 7.72
					MED%CHG= 10.13

A Mary Poppin's Sighting

A Mary Poppin's Sighting, as defined by Wayne, occurs when

1. **The S&P experiences a negative month.**
2. **The preceding seven months were each positive and**
3. **Those seven preceding months included December, January and February**

Of those 16 cases of seven consecutive positive months outlined on page 1, and the 24 cases of positive Dec/Jan/Febs noted on page 2, eleven of the years managed to show up in both studies and qualify as a Mary Poppin's sighting. As you can see in the table below, when Miss Poppins blows into town, the S&P was '*practically perfect in every way*' measurable over the following six months.

S&P Performance After a Seven Month Winning Streak is Broken Which Encompassed December, January and February

#	Year	Month	# Mts In Streak	Forward S&P Performance 1MT%	3MT%	6MT%
01	1936	APR	12	4.58	15.11	24.98
02	1943	JUL	7	1.03	2.05	1.46
03	1950	JUN	11	0.85	9.95	15.49
04	1954	AUG	11	8.31	14.78	23.23
05	1961	JUN	7	3.28	3.23	10.69
06	1964	AUG	8	2.87	3.17	6.84
07	1983	MAY	9	3.52	1.24	2.46
08	1991	JUN	7	4.49	4.50	12.37
09	1993	APR	7	2.28	1.80	6.28
10	1995	AUG	8	4.01	7.74	13.98
11	1996	JUL	8	1.88	10.21	22.85
12	2013	JUN	7	?	?	?
			#UP-DN =	11- 0	11- 0	11- 0
			AVG%CHG=	3.37	6.71	12.78
			MED%CHG=	3.28	4.50	12.37

Over the last month, there has been much ado made of some 'Hindenburg Omen' clusterings, which in case you are not a student of such, is a bearish signal which occurs when an aberrant level of issues are headed in different directions. The measurement for such confusion is the percentage of daily issues making both New 12 Month Highs and 12 Month Lows, on the NYSE composite index. I have some issues with the recent sighting, such as the composition of the index upon which it is measured, but given that the Hindenburger's currently have the Bull by the Horns, I'm inclined to tip my hat to those who adhered to his guidance prior to the mid June correction and simply suggest that it will be interesting to observe if Miss Poppin's can muster her magic and change the direction of the proposed Hindenburg influenced correction.

Summary

Equity markets, endowed with the internal strength required to string together several consecutive positive calendar months, have historically also been the proprietor of adequate quantities of momentum needed to overcome the first negative month.

Secondly, calendar years which begin very strongly, tend to finish the year in similar fashion.

When these two setup forces occur simultaneously, that is, extended consecutive positive month streaks which overlap two different calendar years, the S&P has without exception, exhibited the skills necessary to overcome its first toe stump in a fashion that meets even Mary Poppin's measuring stick.