HERITAGE CAPITAL LLC

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Here it is; the last five days of trading for 2017. So far, it's been the least volatile year in history. And barring any truly unspeakable geopolitical event, it will end that way as well. The stock market hasn't seen even a 5% decline, let alone any full fledged correction. Those most rewarded were the ones who did absolutely nothing all year, similar to 1995. I don't think 2018 will be a repeat, but that's a story for a different day.

You may be hearing about the Santa Claus Rally (SCR) now. People define it all different ways or they just leave it nebulous so they can spin the result to fit their thesis. Yale Hirsch of Stock Trader's Almanac fame (and a perennial must own book now written by his son Jeff) coined the phrase, "If Santa Claus fails to call, bears may come to Broad & Wall".

Research showed that if the last five trading days of the year and first two trading days of the New Year (Santa Claus rally) did not show a positive return, a bear market or significant correction was likely during the coming year. While that was certainly the case years ago, recent history since 2001 shows a significantly muted trend and I wonder if this trend has been fully diluted because of computerized trading, the proliferation of ETFs or even decimalization.

Bears love to point out that Santa did not call in 1999 nor 2007 when two devastating bear markets were about to unfold. However, Santa also did not call in 1990, 1992, 1993 and 2004, yet no bear market or major correction ensued the following year. Santa also did not come in 2014, but I am sure proponents of this trend would point to the 15% summer decline as evidence that it "worked". In 2015, Santa was a no show and stocks were in in the midst of a 15% correction which bottomed on January 20, 2016. How would they score that?

Conversely, Santa called in 2010, but stocks saw a 20% decline in 2011. Santa came in 2000 and 2001, however 2001 and 2002 were awful bear market years. 1997 saw a big Santa Claus rally, yet 1998 had a 20% correction. The same can be said about 1989 and 1986.

As stocks enter the final 5 days of 2017, most pundits have been spewing that it's a "lay up" or "easy money" for stocks to continue higher into year-end because it's "always" happens. The data do not support that, especially of late with 2016, 2015, 2014 and 2012 all down fractionally on the S&P 500. And let's face it, stocks do look a little tired. The S&P 500 hasn't closed above its opening price for more than a week.

If you are traveling this weekend, please stay safe. For those celebrating, Merry Christmas and I hope those who celebrated Hanukah had a great holiday!

I got two very personal gifts which will be used and enjoyed very much. First, because I don't consume enough awful chemicals and garbage, one of my all-time favorite snacks, Jiffy Pop, which I will be eating as a post-ski day snack. And second, because all of my personal care products end up being discontinued, I have enough Arrid Clear Gel to last me well beyond 2020!

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