

Do You Believe in the 'Santa Claus Rally'? You Should!

I sincerely hope that you made Santa Claus' nice list this year and receive everything you desire for the holidays.

But whether or not you believe in jolly old Saint Nick, you can believe in the consistent stock market rally that's attributed to him.



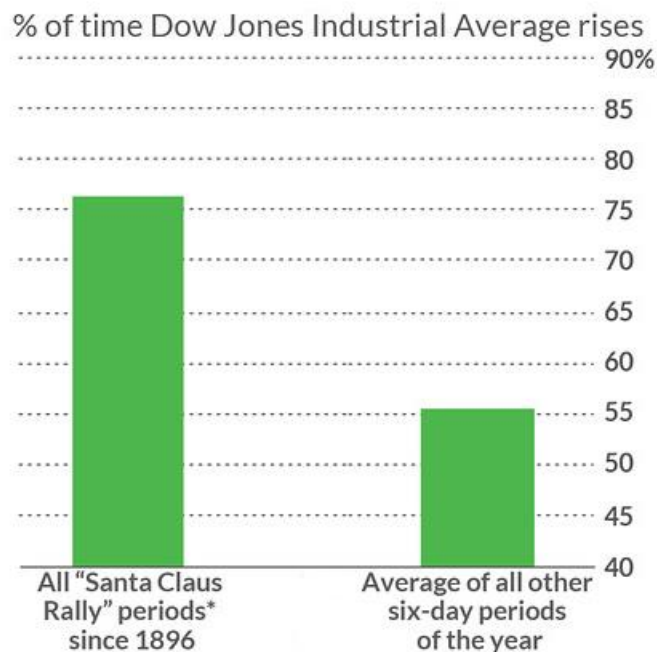
First, let's back up and take a closer look at the market's performance during the month of December as a whole.

Historically, it's the most bullish month of the year for stock price gains, according to researchers at Bank of America Global Research.

In December, the S&P 500 Index is up 74.2% of the time. That's the best win-rate of any month on the calendar. Plus the S&P posts average gains of 1.33% in December, the third-best monthly return of the entire year.

The holidays at the end of December are a particularly good period for investors, who get an added boost from the fabled Santa Claus rally.

Santa usually visits Wall Street after Christmas



This bullish holiday period is attributed to stock market analyst Yale Hirsch, who first wrote about the Santa Claus Rally in the 1972 edition of his "Stock Trader's Almanac."

The period covers price action for stocks over the last five days of December, carrying over into the first two trading sessions of January. So, the Santa Claus rally extends good cheer right into the New Year.

Over the past 92 years, this period has produced stock market gains 78.5% of the time, with an average return of 1.7%. That compares to only a 55% chance of stocks rising across any random multi-day period.

So, you better believe that Santa Claus comes to town for the stock market!

Mike Burnick's Bottom Line: There's no certain explanation for why stocks perform so well this time of year. Perhaps you can attribute it to the general sense of good cheer around the holidays. Others take a more money-centric view, pointing to end-of-year contributions to 401(k)s, IRA accounts, and pension plans, which flow into the market around this time each year.

Whatever the reason for the Santa Claus rally, we all stand to benefit by staying invested through the holidays.

Happy Holidays, and here's to a prosperous New Year!

Good investing,

Mike Burnick
Senior Analyst, *TradeSmith*

P.S. Enjoy your holidays, and please note that our *TradeSmith* offices will be closed until for an extended period, from Friday, Dec. 22, through Monday, Jan. 1.