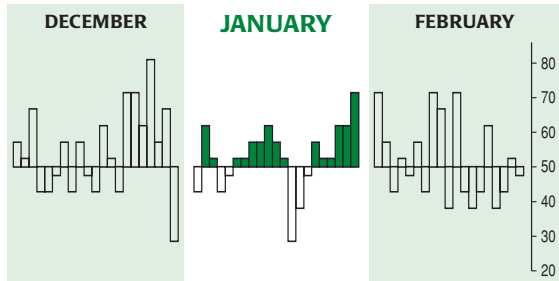


JANUARY ALMANAC

JANUARY						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

FEBRUARY						
S	M	T	W	T	F	S
						1
						2
						3
						4
						5
						6
						7
						8
						9
						10
						11
						12
						13
						14
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						27
						28



Market Probability Chart above is a graphic representation of the S&P 500 Recent Market Probability Calendar on page 124.

- ◆ January Barometer predicts year's course with .758 batting average (page 16)
- ◆ 12 of last 15 post-presidential election years followed January's direction
- ◆ Every down January on the S&P since 1950, *without exception*, preceded a new or extended bear market, a flat market, or a 10% correction (page 42)
- ◆ S&P gains January's first five days preceded full-year gains 84.6% of the time, 11 of last 15 post-presidential years followed first five days' direction (page 14)
- ◆ November, December, and January constitute the year's best three-month span, a 4.3% S&P gain (pages 44 & 147)
- ◆ January NASDAQ powerful 2.9% since 1971 (pages 56 & 148)
- ◆ "January Effect" now starts in mid-December and favors small-cap stocks (pages 104 & 108)
- ◆ 2009 has the dubious honor of the worst S&P 500 January on record.

January Vital Statistics


	DJIA	S&P 500	NASDAQ	Russell 1K	Russell 2K
Rank	6	5	1	4	2
Up	41	39	28	22	19
Down	22	24	14	12	15
Average % Change	1.1%	1.1%	2.9%	1.2%	1.8%
Post-Election Year	0.3%	0.4%	2.0%	1.1%	1.5%
Best & Worst January					
	% Change	% Change	% Change	% Change	% Change
Best	1976 14.4	1987 13.2	1975 16.6	1987 12.7	1985 13.1
Worst	2009 -8.8	2009 -8.6	2008 -9.9	2009 -8.3	2009 -11.2
Best & Worst January Weeks					
Best	1/9/76 6.1	1/2/09 6.8	1/12/01 9.1	1/2/09 6.8	1/9/87 7.0
Worst	1/24/03 -5.3	1/28/00 -5.6	1/28/00 -8.2	1/28/00 -5.5	1/4/08 -6.5
Best & Worst January Days					
Best	1/17/91 4.6	1/3/01 5.0	1/3/01 14.2	1/3/01 5.3	1/21/09 5.3
Worst	1/8/89 -6.9	1/8/88 -6.8	1/2/01 -7.2	1/8/88 -6.1	1/20/09 -7.0
First Trading Day of Expiration Week: 1980-2012					
Record (#Up-#Down)	23-10	21-12	20-13	20-13	20-13
Current streak	U3	U3	U3	U3	U1
Avg % Change	0.15	0.15	0.19	0.12	0.20
Options Expiration Day: 1980-2012					
Record (#Up-#Down)	16-17	17-16	18-15	17-16	18-15
Current streak	U2	U2	D3	U2	U1
Avg % Change	-0.12	-0.10	-0.16	-0.12	-0.13
Options Expiration Week: 1980-2012					
Record (#Up-#Down)	17-16	14-19	18-15	14-19	17-16
Current streak	U2	U1	U1	U1	U1
Avg % Change	-0.20	-0.10	0.25	-0.11	0.21
Week After Options Expiration: 1980-2012					
Record (#Up-#Down)	17-16	20-13	18-15	20-13	22-11
Current streak	D4	U1	U1	U1	U2
Avg % Change	-0.01	0.19	0.09	0.16	0.18
First Trading Day Performance					
% of Time Up	58.7	49.2	57.1	44.1	47.1
Avg % Change	0.25	0.15	0.18	0.14	0.06
Last Trading Day Performance					
% of Time Up	58.7	63.5	66.7	61.8	76.5
Avg % Change	0.24	0.27	0.31	0.36	0.28

Down & S&P 1950-April 2012, NASDAQ 1971-April 2012, Russell 1K & 2K 1979-April 2012.

20th Amendment made "lame ducks" disappear.
Now, "As January goes, so goes the year."

DECEMBER 2012/JANUARY 2013

Last Trading Day of the Year, NASDAQ Down 11 of last 12
NASDAQ Was Up 29 Years in a Row 1971–1999

 MONDAY
D 38.1
S 28.6
N 47.6
31

Those that forget the past are condemned to repeat its mistakes, and those that mis-state the past should be condemned.
— Eugene D. Cohen (Letter to the Editor Financial Times 10/30/06)

New Years Day (Market Closed)

TUESDAY
1


If we did all the things we are capable of doing, we would literally astound ourselves.
— Thomas Alva Edison (American inventor, 1093 patents, 1847–1931)

**Small Caps Punished First Trading Day of Year
Russell 2000 Down 14 of Last 23, But Up Last 4**

WEDNESDAY
D 66.7
S 42.9
N 61.9
2

[A contrarian's opportunity] If everybody is thinking alike, then somebody isn't thinking.
— General George S. Patton, Jr. (U.S. Army field commander WWII, 1885–1945)

**Second Trading Day of the Year, Dow Up 14 of Last 19
Santa Claus Rally Ends (Page 112)**

 THURSDAY
D 66.7
S 61.9
N 66.7
3

The universal line of distinction between the strong and the weak is that one persists, while the other hesitates, falters, trifles and at last collapses or caves in.
— Edwin Percy Whipple (American essayist, 1819–1886)

FRIDAY
D 47.6
S 52.4
N 52.4
4

Entrepreneurs who believe they're in business to vanquish the competition are less successful than those who believe their goal is to maximize profits or increase their company's value.
— Kaihan Krippendorff (Business consultant, strategist, author, *The Art of the Advantage*, The Strategic Learning Center, b. 1971)

SATURDAY
5

January Almanac Investor Seasonalities: See Pages 92, 94 and 96

SUNDAY
6

JANUARY'S FIRST FIVE DAYS: AN EARLY WARNING SYSTEM

The last 39 up First Five Days were followed by full-year gains 33 times for an 84.6% accuracy ratio and a 13.6% average gain in all 39 years. The five exceptions include flat 1994 and four related to war. Vietnam military spending delayed start of 1966 bear market. Ceasefire imminence early in 1973 raised stocks temporarily. Saddam Hussein turned 1990 into a bear. The war on terrorism, instability in the Mideast, and corporate malfeasance shaped 2002 into one of the worst years on record. The 23 down First Five Days were followed by 12 up years and 11 down (47.8% accurate) and an average gain of 0.2%.

In 9 of the last 15 Post-Election Years the S&P 500 posted a loss for January's First Five Days. Six were followed by full-year losses averaging -11.1%. 1993 rebounded 7.1% after the sluggish 1992 economy. 1985 followed the trend of no losing "fifth" years (page 129). 2005 was flat with the Dow down 0.6%. Six Post-Election First Five Days showed gains. Only 1973 was a loser at the start of the major bear caused by Vietnam, Watergate, and the Arab Oil Embargo. The other four years gained 22.8% on average.

THE FIRST-FIVE-DAYS-IN-JANUARY INDICATOR

	Chronological Data				Ranked By Performance			
	Previous Year's Close	January 5th Day	5-Day Change	Year Change	Rank	5-Day Change	Year Change	
1950	16.76	17.09	2.0%	21.8%	1	1987	6.2%	2.0%
1951	20.41	20.88	2.3	16.5	2	1976	4.9	19.1
1952	23.77	23.91	0.6	11.8	3	1999	3.7	19.5
1953	26.57	26.33	-0.9	-6.6	4	2003	3.4	26.4
1954	24.81	24.93	0.5	45.0	5	2006	3.4	13.6
1955	35.98	35.33	-1.8	26.4	6	1983	3.3	17.3
1956	45.48	44.51	-2.1	2.6	7	1967	3.1	20.1
1957	46.67	46.25	-0.9	-14.3	8	1979	2.8	12.3
1958	39.99	40.99	2.5	38.1	9	2010	2.7	12.8
1959	55.21	55.40	0.3	8.5	10	1963	2.6	18.9
1960	59.89	59.50	-0.7	-3.0	11	1958	2.5	38.1
1961	58.11	58.81	1.2	23.1	12	1984	2.4	1.4
1962	71.55	69.12	-3.4	-11.8	13	1951	2.3	16.5
1963	63.10	64.74	2.6	18.9	14	1975	2.2	31.5
1964	75.02	76.00	1.3	13.0	15	1950	2.0	21.8
1965	84.75	85.37	0.7	9.1	16	2004	1.8	9.0
1966	92.43	93.14	0.8	13.1	17	2012	1.8	??
1967	80.33	82.81	3.1	23.1	18	1973	1.5	-17.4
1968	96.47	96.62	0.2	7.7	19	1972	1.4	15.6
1969	103.86	100.80	-2.9	-11.4	20	1964	1.3	13.0
1970	92.06	92.68	0.7	0.1	21	1961	1.2	23.1
1971	92.15	92.19	0.04	10.8	22	1989	1.2	27.3
1972	102.09	103.47	1.4	15.6	23	2011	1.1	-0.003
1973	118.05	119.85	1.5	-17.4	24	2002	1.1	-23.4
1974	97.55	96.12	-1.5	-29.7	25	1997	1.0	31.0
1975	68.56	70.04	2.2	31.5	26	1980	0.9	25.8
1976	90.19	94.58	4.9	19.1	27	1966	0.8	-13.1
1977	107.46	105.01	-2.3	-11.5	28	1994	0.7	-1.5
1978	95.10	90.64	-4.7	1.1	29	1965	0.7	9.1
1979	96.11	93.80	-2.8	12.3	30	2009	0.7	23.5
1980	107.94	108.95	0.9	25.8	31	1970	0.7	0.1
1981	135.76	133.06	-2.0	-9.7	32	1952	0.6	11.8
1982	122.55	119.55	-2.4	14.8	33	1954	0.5	45.0
1983	140.64	145.23	3.3	17.3	34	1996	0.4	20.3
1984	164.93	168.90	2.4	1.4	35	1959	0.3	8.5
1985	167.24	163.99	-1.9	26.3	36	1995	0.3	34.1
1986	211.28	207.97	-1.6	14.6	37	1992	0.2	4.5
1987	242.17	257.28	6.2	2.0	38	1968	0.2	7.7
1988	247.08	243.40	-1.5	12.4	39	1990	0.1	-6.6
1989	277.72	280.98	1.2	27.3	40	1971	0.04	10.8
1990	353.40	353.79	0.1	-6.6	41	2007	-0.4	3.5
1991	330.22	314.90	-4.6	26.3	42	1960	-0.7	-3.0
1992	417.09	418.10	0.2	4.5	43	1957	-0.9	-14.3
1993	435.71	429.05	-1.5	7.1	44	1953	-0.9	-6.6
1994	466.45	469.90	0.7	-1.5	45	1974	-1.5	-29.7
1995	459.27	460.83	0.3	34.1	46	1998	-1.5	26.7
1996	615.93	618.46	0.4	20.3	47	1988	-1.5	12.4
1997	740.74	748.41	1.0	31.0	48	1993	-1.5	7.1
1998	970.43	956.04	-1.5	26.7	49	1986	-1.6	14.6
1999	1229.23	1275.09	3.7	19.5	50	2001	-1.8	-13.0
2000	1469.25	1441.46	-1.9	-10.1	51	1955	-1.8	26.4
2001	1320.28	1295.86	-1.8	-13.0	52	2000	-1.9	-10.1
2002	1148.08	1160.71	1.1	-23.4	53	1985	-1.9	26.3
2003	879.82	909.93	3.4	26.4	54	1981	-2.0	-9.7
2004	1111.92	1131.91	1.8	9.0	55	1956	-2.1	2.6
2005	1211.92	1186.19	-2.1	3.0	56	2005	-2.1	3.0
2006	1248.29	1290.15	3.4	13.6	57	1977	-2.3	-11.5
2007	1418.30	1412.11	-0.4	3.5	58	1982	-2.4	14.8
2008	1468.36	1390.19	-5.3	-38.5	59	1969	-2.9	-11.4
2009	903.25	909.73	0.7	23.5	60	1962	-3.4	-11.8
2010	1115.10	1144.98	2.7	12.8	61	1991	-4.6	26.3
2011	1257.64	1271.50	1.1	-0.003	62	1978	-4.7	1.1
2012	1257.60	1280.70	1.8	??	63	2008	-5.3	-38.5

Based on S&P 500

JANUARY

January's First Five Days Act as an "Early Warning" (Page 14)

MONDAY

D 52.4
S 42.9
N 52.4

7

Big money is made in the stock market by being on the right side of major moves. I don't believe in swimming against the tide.

— Martin Zweig (Fund manager, *Winning on Wall Street*)

TUESDAY

D 33.3
S 47.6
N 52.4

8

There are two kinds of people who lose money: those who know nothing and those who know everything.
— Henry Kaufman (German-American economist, b. 1927, to Robert Lenzner in *Forbes* 10/19/98 who added, "With two Nobel Prize winners in the house, Long-Term Capital clearly fits the second case.")

January Ends "Best Three-Month Span" (Pages 44, 56, 147 and 148)

WEDNESDAY

D 52.4
S 52.4
N 66.7

9

We are nowhere near a capitulation point because it's at that point where it's despair, not hope, that reigns supreme, and there was scant evidence of any despair at any of the meetings I gave.

— David Rosenberg (Economist, Merrill Lynch, *Barron's* 4/21/2008)

THURSDAY

D 52.4
S 52.4
N 52.4

10

The fear of capitalism has compelled socialism to widen freedom, and the fear of socialism has compelled capitalism to increase equality.

— Will and Ariel Durant

FRIDAY

D 52.4
S 57.1
N 57.1

11

There is a perfect inverse correlation between inflation rates and price/earnings ratios . . . When inflation has been very high . . . P/E has been [low].

— Liz Ann Sonders (Chief Investment Strategist Charles Schwab, June 2006)

SATURDAY

12

SUNDAY

13

THE INCREDIBLE JANUARY BAROMETER (DEvised 1972): ONLY SEVEN SIGNIFICANT ERRORS IN 62 YEARS

Devised by Yale Hirsch in 1972, our January Barometer states that as the S&P 500 goes in January, so goes the year. The indicator has registered **only seven major errors since 1950 for an 88.7% accuracy ratio**. Vietnam affected 1966 and 1968; 1982 saw the start of a major bull market in August; two January rate cuts and 9/11 affected 2001; the anticipation of military action in Iraq held down the market in January 2003; 2009 was the beginning of a new bull market following the second worst bear market on record; and the Fed saved 2010 with QE2 (*Almanac Investor* newsletter subscribers receive full analysis of each reading as well as its potential implications for the full year.)

Including the eight flat-year errors (less than +/- 5%) yields a 75.8% accuracy ratio. A full comparison of all monthly barometers for the Dow, S&P, and NASDAQ in our February 6, 2012 blog post at blog.stocktradersalmanac.com details January's market forecasting prowess. Bear markets began or continued when January's suffered a loss (*see page 42*). Full years followed January's direction in 12 of the last 15 post-presidential election years. *See pages 18 and 22 for more January Barometer items.*

AS JANUARY GOES, SO GOES THE YEAR

	Market Performance In January				January Performance By Rank					
	Previous Year's Close	January Close	January Change	Year Change	Rank	January Change	Year's Change			
1950	16.76	17.05	1.7%	21.8%	1	1967	13.2%	2.0%	flat	
1951	20.41	21.66	6.1	16.5	2	1975	12.3	31.5		
1952	23.77	24.14	1.6	11.8	3	1976	11.8	19.1		
1953	26.57	26.38	-0.7	-6.6	4	1967	7.8	20.1		
1954	24.81	26.08	5.1	45.0	5	1985	7.4	26.3		
1955	35.98	36.63	1.8	26.4	6	1989	7.1	27.3		
1956	45.48	43.82	-3.6	2.6	flat	7	1961	6.3	23.1	
1957	46.67	44.72	-4.2	-14.3	8	1997	6.1	31.0		
1958	39.99	41.70	4.3	38.1	9	1951	6.1	16.5		
1959	55.21	55.42	0.4	8.5	10	1980	5.8	25.8		
1960	59.89	55.61	-7.1	-3.0	flat	11	1954	5.1	45.0	
1961	58.11	61.78	6.3	23.1	12	1963	4.9	18.9		
1962	71.55	68.84	-3.8	-11.8	13	2012	4.4	??		
1963	63.10	66.20	4.9	10.9	14	1958	4.3	38.1		
1964	75.02	77.04	2.7	13.0	15	1991	4.2	26.3		
1965	84.75	87.56	3.3	9.1	16	1999	4.1	19.5		
1966	92.43	92.88	0.5	-1.1	X	17	1971	4.0	10.8	
1967	80.33	86.61	7.8	20.1	18	1988	4.0	12.4		
1968	96.47	92.24	-4.4	7.7	X	19	1979	4.0	12.3	
1969	103.86	103.01	-0.8	-11.4	20	2001	3.5	-13.0	X	
1970	92.06	85.02	-7.0	0.1	flat	21	1965	3.3	9.1	
1971	92.15	95.88	4.0	10.8	22	1983	3.3	17.3		
1972	102.09	103.94	1.3	15.6	23	1996	3.3	20.3		
1973	118.05	116.03	-1.7	-17.4	24	1994	3.3	-1.5	flat	
1974	97.55	96.57	-1.0	-29.7	25	1964	2.7	13.0		
1975	68.56	76.98	12.3	31.5	26	2006	2.5	13.6		
1976	90.19	100.65	11.8	19.1	27	1995	2.4	34.1		
1977	107.46	102.03	-5.1	-11.5	28	2011	2.3	-0.003	flat	
1978	95.10	83.25	-6.2	1.1	flat	29	1972	1.8	15.6	
1979	96.11	39.93	4.0	12.3	30	1955	1.8	26.4		
1980	107.94	114.16	5.8	25.8	31	1950	1.7	21.8		
1981	135.76	129.55	-4.6	-9.7	32	2004	1.7	9.0		
1982	122.55	120.40	-1.8	14.8	X	33	1952	1.6	11.8	
1983	140.64	145.30	3.3	17.3	34	2007	1.4	3.5	flat	
1984	164.93	163.41	-0.9	1.4	flat	35	1998	1.0	26.7	
1985	167.24	179.63	7.4	26.3	36	1993	0.7	7.1		
1986	211.28	211.78	0.2	14.6	37	1966	0.5	-13.1	X	
1987	242.17	274.08	13.2	2.0	flat	38	1959	0.4	8.5	
1988	247.08	257.07	4.0	12.4	39	1986	0.2	14.6		
1989	277.72	297.47	7.1	27.3	40	1953	-0.7	-6.6		
1990	353.40	329.08	-6.9	-6.6	41	1969	-0.8	-11.4		
1991	330.22	343.93	4.2	26.3	42	1984	-0.9	1.4	flat	
1992	417.09	408.79	-2.0	4.5	flat	43	1974	-1.0	-29.7	
1993	435.71	438.78	0.7	7.1	44	2002	-1.6	-23.4		
1994	466.45	481.61	3.3	-1.5	flat	45	1973	-1.7	-17.4	
1995	459.27	470.42	2.4	34.1	46	1982	-1.8	14.8	X	
1996	615.93	636.02	3.3	20.3	47	1992	-2.0	4.5	flat	
1997	740.74	786.16	6.1	31.0	48	2005	-2.5	3.0	flat	
1998	970.43	980.28	1.0	26.7	49	2003	-2.7	26.4	X	
1999	1229.23	1279.64	4.1	19.5	50	1956	-3.6	2.6	flat	
2000	1469.25	1394.46	-5.1	-10.1	51	2010	-3.7	12.8	X	
2001	1320.28	1366.01	3.5	-13.0	X	52	1962	-3.8	-11.8	
2002	1148.08	1130.20	-1.6	-23.4	53	1957	-4.2	-14.3		
2003	879.82	855.70	-2.7	26.4	X	54	1968	-4.4	7.7	X
2004	1111.92	1131.13	1.7	9.0	55	1981	-4.6	-9.7		
2005	1211.92	1181.27	-2.5	3.0	flat	56	1977	-5.1	-11.5	
2006	1248.29	1280.08	2.5	13.6	57	2000	-5.1	-10.1		
2007	1418.30	1438.24	1.4	3.5	flat	58	2008	-6.1	-38.5	
2008	1468.36	1378.55	-6.1	-38.5	59	1978	-6.2	1.1	flat	
2009	903.25	825.88	-8.6	23.5	X	60	1990	-6.9	-6.6	
2010	1115.10	1073.87	-3.7	12.8	X	61	1960	-7.1	-3.0	flat
2011	1257.64	1286.12	2.3	-0.003	flat	62	1970	-7.6	0.1	flat
2012	1257.60	1312.41	4.4	??	63	2009	-8.6	23.5	X	

X = major error Based on S&P 500

JANUARY

First Trading Day of January Expiration Week, Dow Up 15 of Last 20

MONDAY

D 52.4
S 57.1
N 57.1

14

Sometimes the best investments are the ones you don't make.

— Donald Trump (Real estate mogul and entrepreneur, *Trump: How to Get Rich*, 2004)



TUESDAY

D 61.9
S 61.9
N 52.4

15

Nothing gives one person so much advantage over another as to remain always cool and unruffled under all circumstances.

— Thomas Jefferson (3rd U.S. President, 1743–7/4/1826)

January Expiration Week Horrible Since 1999, Dow Down 9 of Last 14

WEDNESDAY

D 57.1
S 57.1
N 66.7

16

I don't believe in intuition. When you get sudden flashes of perception, it is just the brain working faster than usual.

— Katherine Anne Porter (American author, 1890–1980)

THURSDAY

D 33.3
S 52.4
N 61.9

17

The whole problem with the world is that fools and fanatics are always so certain of themselves, but wiser people so full of doubts.

— Bertrand Russell (British mathematician and philosopher, 1872–1970)

January Expiration Day, Dow Down 10 of Last 14 With Big Losses
Off 2.1% in 2010, Off 2.0% in 2006 and 1.3% in 2003



FRIDAY

D 28.6
S 28.6
N 33.3

18

If investing is entertaining, if you're having fun, you're probably not making any money. Good investing is boring.

— George Soros (Financier, philanthropist, political activist, author and philosopher, b. 1930)

SATURDAY

19

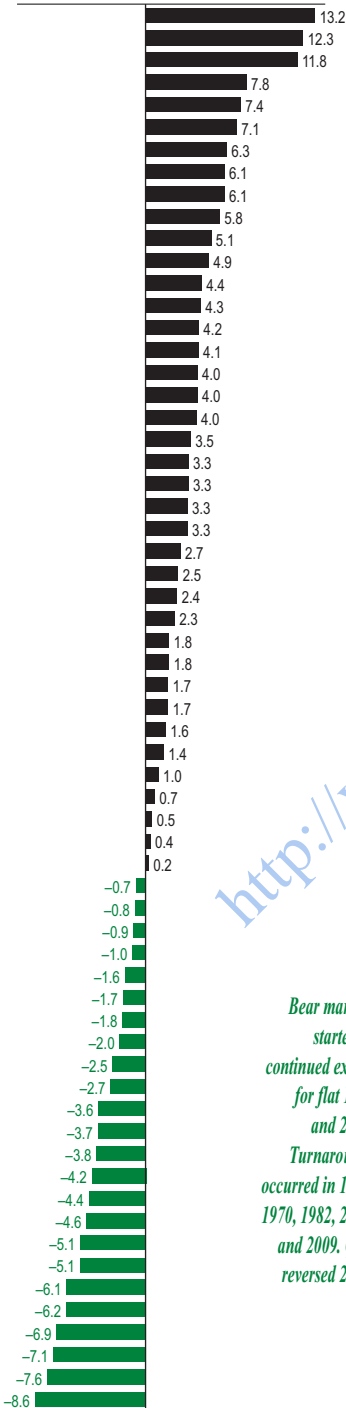
SUNDAY

20

JANUARY BAROMETER IN GRAPHIC FORM SINCE 1950

% Loss JANUARY CHANGE % Gain

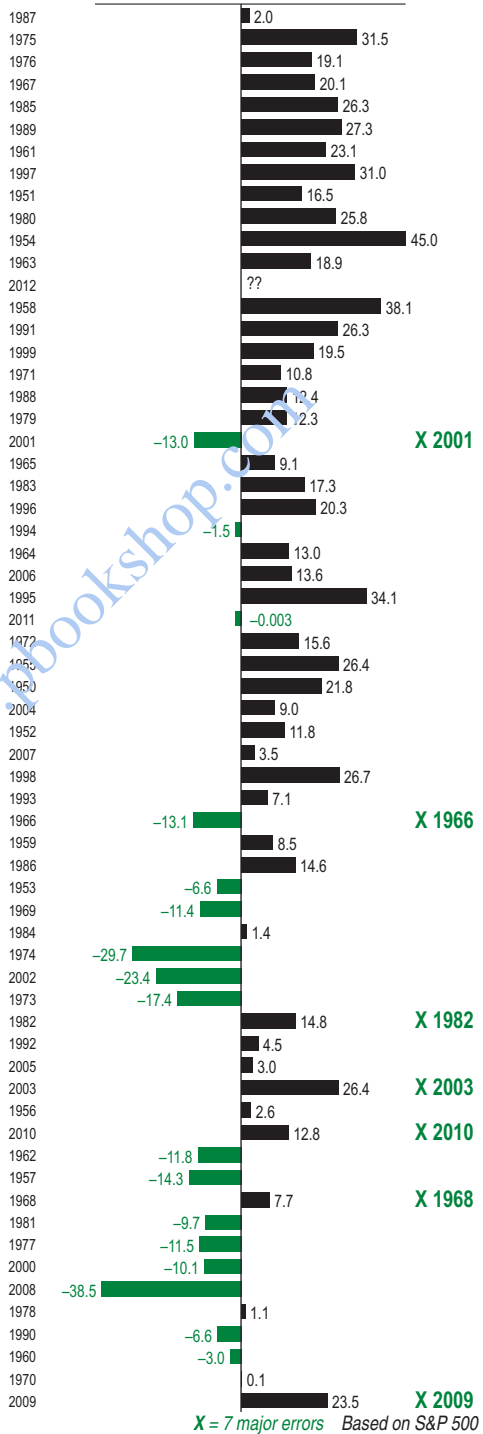
-10 -8 -6 -4 -2 0 2 4 6 8 10 12 14



Bear markets started or continued except for flat 1992 and 2005. Turnarounds occurred in 1968, 1970, 1982, 2003, and 2009. QE2 reversed 2010.

% Loss FULL-YEAR CHANGE % Gain

-40 -30 -20 -10 0 10 20 30 40



X = 7 major errors Based on S&P 500

JANUARY

Martin Luther King Jr. Day (Market Closed)

MONDAY

21

Civility is not a sign of weakness, and sincerity is always subject to proof. Let us never negotiate out of fear. But let us never fear to negotiate.

— John F. Kennedy (35th U.S. President, Inaugural Address 1/20/1961, 1917–1963)



TUESDAY

D 33.3

S 38.1

N 38.1

22

If I owe a million dollars I am lost. But if I owe \$50 billion the bankers are lost.

— Celso Ming (Brazilian journalist)

WEDNESDAY

D 47.6

S 47.6

N 52.4

23

The future now belongs to societies that organize themselves for learning. What we know and can do holds the key to economic progress.

— Ray Marshall (b. 1928) and Marc Tucker (b. 1939) (*Thinking for a Living: Education and the Wealth of Nations*, 1992)

THURSDAY

D 42.9

S 57.1

N 61.9

24

A person's greatest virtue is his ability to correct his mistakes and continually make a new person of himself.

— Yang-Ming Wang (Chinese philosopher, 1472–1529)

FRIDAY

D 61.9

S 52.4

N 42.9

25

The principles of successful stock speculation are based on the supposition that people will continue in the future to make the mistakes that they have made in the past.

— Thomas F. Woodlock (Wall Street Journal editor & columnist, quoted in *Reminiscences of a Stock Operator*, 1866–1945)

SATURDAY

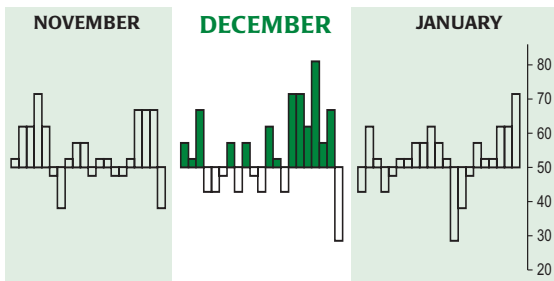
26

February Almanac Investor Seasonalities: See Pages 92, 94 and 96

SUNDAY

27

DECEMBER ALMANAC



DECEMBER						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

JANUARY						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

Market Probability Chart above is a graphic representation of the S&P 500 Recent Market Probability Calendar on page 124.

◆ #1 S&P (+1.7%) and #2 Dow (+1.7%) month since 1950 (page 44), #2 NASDAQ (2.0%) since 1971 ◆ 2002 worst December since 1931, down over 6% Dow and S&P, -9.7% on NASDAQ (pages 152, 155, & 157) ◆ “Free lunch” served on Wall Street before Christmas (page 110) ◆ Small caps start to outperform larger caps near middle of month (pages 104 and 108) ◆ “Santa Claus Rally” visible in graph above and on page 112 ◆ In 1998 was part of best fourth quarter since 1928 (page 167) ◆ Fourth quarter expiration week most bullish triple witching week, Dow up 16 of last 21 (page 76) ◆ In post-presidential election years Decembers’ rankings slip: #7 S&P and NASDAQ, #5 Dow month.

December Vital Statistics


	DJIA	S&P 500	NASDAQ	Russell 1K	Russell 2K	
Rank	2	1	2	1	1	
Up	44	47	24	26	26	
Down	18	15	17	7	7	
Average % Change	1.7%	1.7%	2.0%	1.7%	2.8%	
Post-Election Year	0.8%	0.4%	0.8%	1.2%	2.6%	
Best & Worst December						
	% Change		% Change		% Change	
Best	1991	9.5	1991	11.2	1999	11.2
Worst	2002	-6.2	2002	-6.0	2002	-5.7
Best & Worst December Weeks						
Best	12/2/11	7.0	12/2/11	7.4	12/2/11	10.3
Worst	12/4/87	-7.5	12/6/74	-7.1	12/15/00	-9.1
	12/4/87	-7.0	12/4/87	-7.0	12/12/80	-6.5
Best & Worst December Days						
Best	12/16/08	4.2	12/16/08	5.1	12/5/00	10.5
Worst	12/1/08	-7.7	12/1/08	-8.9	12/1/08	-9.0
	12/1/08	-9.1	12/1/08	-9.1	12/1/08	-11.9
First Trading Day of Expiration Week: 1980–2011						
Record (#Up–#Down)	18–14	19–13	13–19	19–13	14–18	
Current streak	D1	D1	D2	D2	D2	
Avg % Change	0.15	0.10	-0.10	0.07	-0.21	
Options Expiration Day: 1980–2011						
Record (#Up–#Down)	21–11	24–8	23–9	24–8	21–11	
Current streak	D2	U6	U6	U6	U5	
Avg % Change	0.37	0.43	0.39	0.41	0.45	
Options Expiration Week: 1980–2011						
Record (#Up–#Down)	24–8	23–9	18–14	22–10	16–16	
Current streak	D1	D1	D1	D1	D1	
Avg % Change	0.66	0.66	0.12	0.60	0.45	
Week After Options Expiration: 1980–2011						
Record (#Up–#Down)	22–9	19–13	20–12	1–13	22–10	
Current streak	U3	U3	U3	U3	U3	
Avg % Change	0.79	0.52	0.71	0.55	0.87	
First Trading Day Performance						
% of Time Up	48.4	51.6	63.4	54.5	54.5	
Avg % Change	-0.05	-0.03	0.17	-0.03	-0.08	
Last Trading Day Performance						
% of Time Up	53.2	61.3	73.2	51.5	69.7	
Avg % Change	0.06	0.10	0.34	-0.09	0.45	

Dow & S&P 1950–April 2012, NASDAQ 1971–April 2012, Russell 1K & 2K 1979–April 2012.

*If Santa Claus should fail to call,
Bears may come to Broad and Wall.*

NOVEMBER/DECEMBER


Trading Thanksgiving Market: Long into Weakness Prior, Exit into Strength After (Page 102)

 MONDAY
D 66.7
S 66.7
N 57.1 **25**

Benjamin Graham was correct in suggesting that while the stock market in the short run may be a voting mechanism, in the long run it is a weighing mechanism. True value will win out in the end.
— Burton G. Malkiel (Economist, April 2003 Princeton Paper, *A Random Walk Down Wall Street*, b. 1932)

 TUESDAY
D 61.9
S 66.7
N 57.1 **26**

Every man with a new idea is a crank until the idea succeeds.
— Mark Twain (American novelist and satirist, pen name of Samuel Longhorne Clemens, 1835–1910)

 WEDNESDAY
D 52.4
S 66.7
N 66.7 **27**

The task of leadership is not to put greatness into humanity, but to elicit it, for the greatness is already there.
— Sir John Buchan (Scottish author, Governor General of Canada 1935–1940, 1875–1940)

Thanksgiving and Chanukah (Market Closed)

THURSDAY
28

I'd be a bum on the street with a tin cup, if the markets were always efficient.
— Warren Buffett (CEO Berkshire Hathaway, investor & philanthropist, b. 1930)

(Shortened Trading Day)
Last Trading Day of November, S&P Up 5 of Last 6

 FRIDAY
D 52.4
S 38.1
N 52.4 **29**

If there is something you really want to do, make your plan and do it. Otherwise, you'll just regret it forever.
— Richard Rocco (PostNet franchisee, Entrepreneur Magazine 12/2006, b. 1946)

SATURDAY
30

December Almanac Investor Seasonalities: See Pages 92, 94 and 96

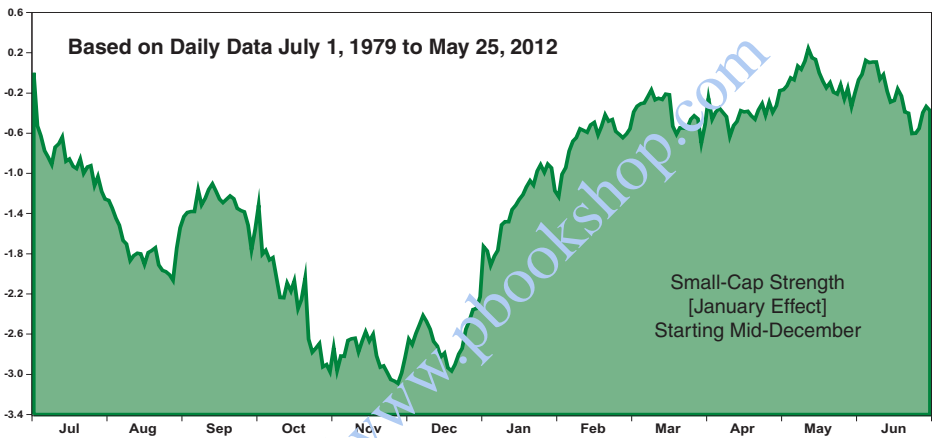
SUNDAY
1

JANUARY EFFECT NOW STARTS IN MID-DECEMBER

Small-cap stocks tend to outperform big caps in January. Known as the “January Effect,” the tendency is clearly revealed by the graph below. Thirty-four years of daily data for the Russell 2000 index of smaller companies are divided by the Russell 1000 index of largest companies, and then compressed into a single year to show an idealized yearly pattern. When the graph is descending, big blue chips are outperforming smaller companies; when the graph is rising, smaller companies are moving up faster than their larger brethren.

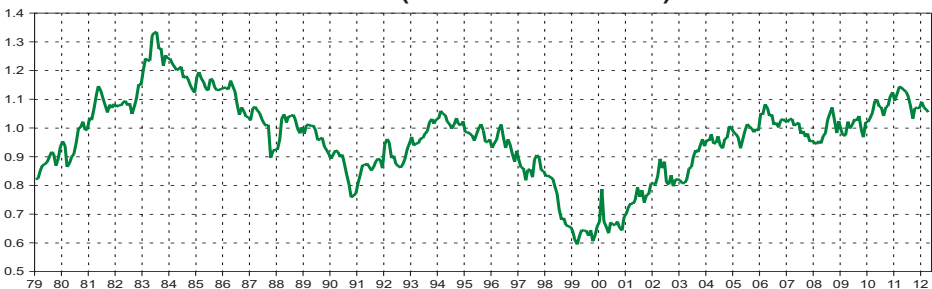
In a typical year, the smaller fry stay on the sidelines while the big boys are on the field. Then, around late October, small stocks begin to wake up, and in mid-December, they take off. Anticipated year-end dividends, payouts, and bonuses could be a factor. Other major moves are quite evident just before Labor Day—possibly because individual investors are back from vacations—and off the low points in late October and November. Small caps hold the lead through the beginning of May.

RUSSELL 2000/RUSSELL 1000 ONE-YEAR SEASONAL PATTERN



The bottom graph shows the actual ratio of the Russell 2000 divided by the Russell 1000 from 1979. Smaller companies had the upper hand for five years into 1983, as the last major bear trend wound to a close and the nascent bull market logged its first year. After falling behind for about eight years, they came back after the Persian Gulf War bottom in 1990, moving up until 1994, when big caps ruled the latter stages of the millennial bull. For six years, the picture was bleak for small fry, as the blue chips and tech stocks moved to stratospheric PE ratios. Small caps spiked in late 1999 and early 2000 and reached a peak in early 2006, as the four-year-old bull entered its final year. Note how the small-cap advantage has waned during major bull moves and intensified during weak market times. Look for a clear move lower to confirm a major bull move is in place.

RUSSELL 2000/RUSSELL 1000 (1979 TO APRIL 2012)



DECEMBER

*First Trading Day in December, NASDAQ Up 19 of 25
Down Three Straight 2006–2008*

MONDAY

D 52.4
S 57.1
N 71.4

2

To succeed in the markets, it is essential to make your own decisions. Numerous traders cited listening to others as their worst blunder.

— Jack D. Schwager (Investment manager, author, *Stock Market Wizards: Interviews with America's Top Stock Traders*, b. 1948)

TUESDAY

D 47.6
S 52.4
N 66.7

3

There are ways for the individual investor to make money in the securities markets. Buying value and holding long term while collecting dividends has been proven over and over again.

— Robert M. Sharp (Author, *The Lore and Legends of Wall Street*)



WEDNESDAY

D 61.9
S 66.7
N 66.7

4

People who can take a risk, who believe in themselves enough to walk away [from a company] are generally people who bring about change.

— Cynthia Danaher (Exiting GM of Hewlett-Packard's Medical Products Group, *Newsweek*)

THURSDAY

D 57.1
S 42.9
N 52.4

5

Never overpay for a stock. More money is lost than in any other way by projecting above-average growth and paying an extra multiple for it.

— Charles Neuhauser (Bear Star, *Forbes*)

FRIDAY

D 42.9
S 42.9
N 38.1

6

You have to find something that you love enough to be able to take risks, jump over the hurdles and break through the brick walls that are always going to be placed in front of you. If you don't have that kind of feeling for what it is you're doing, you'll stop at the first giant hurdle.

— George Lucas (Star Wars director)

SATURDAY

7

SUNDAY

8

WALL STREET'S ONLY "FREE LUNCH" SERVED BEFORE CHRISTMAS

Investors tend to get rid of their losers near year-end for tax purposes, often hammering these stocks down to bargain levels. Over the years, the *Almanac* has shown that NYSE stocks selling at their lows on December 15 will usually outperform the market by February 15 in the following year. Preferred stocks, closed-end funds, splits, and new issues are eliminated. When there are a huge number of new lows, stocks down the most are selected, even though there are usually good reasons why some stocks have been battered.

BARGAIN STOCKS VS. THE MARKET*

Short Span* Late Dec–Jan/Feb	New Lows Late Dec	% Change Jan/Feb	% Change NYSE Composite	Bargain Stocks Advantage
1974–75	112	48.9%	22.1%	26.8%
1975–76	21	34.9	14.9	20.0
1976–77	2	1.3	-3.3	4.6
1977–78	15	2.8	-4.5	7.3
1978–79	43	11.8	3.9	7.9
1979–80	5	9.3	6.1	3.2
1980–81	14	7.1	-2.0	9.1
1981–82	21	-2.6	-7.4	4.8
1982–83	4	33.0	9.7	23.3
1983–84	13	-3.2	-3.8	0.6
1984–85	32	19.0	12.1	6.9
1985–86	4	-22.5	3.1	-26.4
1986–87	22	9.3	12.5	-3.2
1987–88	23	13.2	6.8	6.4
1988–89	14	30.0	6.4	23.6
1989–90	25	-3.1	-4.8	1.7
1990–91	18	18.8	12.6	6.2
1991–92	23	51.1	7.7	43.4
1992–93	9	8.7	0.6	8.1
1993–94	10	-1.4	2.0	-3.4
1994–95	25	14.6	5.7	8.9
1995–96	5	-11.3	4.5	-15.8
1996–97	16	13.9	11.2	2.7
1997–98	29	9.9	5.7	4.2
1998–99	40	-2.8	4.3	-7.1
1999–00	26	8.9	-5.4	14.3
2000–01	51	44.4	0.1	44.3
2001–02	12	31.4	-2.3	33.7
2002–03	33	28.7	3.9	24.8
2003–04	15	16.7	2.3	14.4
2004–05	36	6.8	-2.8	9.6
2005–06	71	12.0	2.6	9.4
2006–07	42	5.1	-0.5	5.6
2007–08	71	-3.2	-9.4	6.2
2008–09	83	11.4	-2.4	13.8
2009–10	25	1.8	-3.0	4.8
2010–11	20	8.3%	3.4%	4.9%
2011–12	65	18.1%	6.1%	12.0%
38-Year Totals		481.1%	119.5%	361.6%
Average		12.7%	3.1%	9.5%

* Dec 15 – Feb 15 (1974–1999), Dec 1999–2012 based on actual newsletter advice

In response to changing market conditions, we tweaked the strategy the last 13 years, adding selections from NASDAQ, AMEX, and the OTC Bulletin Board and selling in mid-January some years. We e-mail the list of stocks to our *Almanac Investor* newsletter subscribers. Visit www.stocktradersalmanac.com, or see the insert for additional details and a special offer for new subscribers.

We have come to the conclusion that the most prudent course of action is to compile our list from the stocks making new lows on Triple-Witching Friday before Christmas, capitalizing on the Santa Claus Rally (page 112). This also gives us the weekend to evaluate the issues in greater depth and weed out any glaringly problematic stocks. Subscribers will receive the list of stocks selected from the new lows made on December 21, 2012 and December 20, 2013 via e-mail.

This "Free Lunch" strategy is only an extremely short-term strategy reserved for the nimblest traders. It has performed better after market corrections and when there are more new lows to choose from. The object is to buy bargain stocks near their 52-week lows and sell any quick, generous gains, as these issues can often be real dogs.

DECEMBER

MONDAY

D 47.6
S 47.6
N 52.4

9

History is a collection of agreed upon lies.

— Voltaire (French philosopher, 1694–1778)

TUESDAY

D 57.1
S 57.1
N 52.4

10

What lies behind us and what lies before us are tiny matters, compared to what lies within us.

— Ralph Waldo Emerson (American author, poet and philosopher, *Self-Reliance*, 1803–1882)

WEDNESDAY

D 52.4
S 42.9
N 42.9

11

The secret to business is to know something that nobody else knows.

— Aristotle Onassis (Greek shipping billionaire)

Small Cap Strength Starts in Mid-December (Page 104)

THURSDAY

D 52.4
S 57.1
N 47.6

12

The first panacea for a mismanaged nation is inflation of the currency; the second is war. Both bring a temporary prosperity; both bring a permanent ruin. But both are the refuge of political and economic opportunists.

— Ernest Hemingway (American writer, 1954 Nobel Prize, 1899–1961)

FRIDAY

D 52.4
S 47.6
N 42.9

13

Experience is helpful, but it is judgment that matters.

— General Colin Powell (Chairman Joint Chiefs 1989–93, Secretary of State 2001–05, *NY Times* 10/22/2008, b. 1937)

SATURDAY

14

SUNDAY

15

IF SANTA CLAUS SHOULD FAIL TO CALL, BEARS MAY COME TO BROAD AND WALL

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 has been good for an average 1.6% gain since 1969 (1.5% since 1950). Santa's failure to show tends to precede bear markets, or times stocks could be purchased later in the year at much lower prices. We discovered this phenomenon in 1972.

DAILY % CHANGE IN S&P 500 AT YEAR END

	Trading Days Before Year End					First Days in January			Rally % Change	
	6	5	4	3	2	1	1	2		3
1969	-0.4	1.1	0.8	-0.7	0.4	0.5	1.0	0.5	-0.7	3.6
1970	0.1	0.6	0.5	1.1	0.2	-0.1	-1.1	0.7	0.6	1.9
1971	-0.4	0.2	1.0	0.3	-0.4	0.3	-0.4	0.4	1.0	1.3
1972	-0.3	-0.7	0.6	0.4	0.5	1.0	0.9	0.4	-0.1	3.1
1973	-1.1	-0.7	3.1	2.1	-0.2	0.01	0.1	2.2	-0.9	6.7
1974	-1.4	1.4	0.8	-0.4	0.03	2.1	2.4	0.7	0.5	7.2
1975	0.7	0.8	0.9	-0.1	-0.4	0.5	0.8	1.8	1.0	4.3
1976	0.1	1.2	0.7	-0.4	0.5	0.5	-0.4	-1.2	-0.9	0.8
1977	0.8	0.9	0.0	0.1	0.2	0.2	-1.3	-0.5	-0.8	-0.3
1978	0.03	1.7	1.3	-0.9	-0.4	-0.2	0.6	1.1	0.8	3.3
1979	-0.6	0.1	0.1	0.2	-0.1	0.1	-2.0	-0.5	1.2	-2.2
1980	-0.4	0.4	0.5	-1.1	0.2	0.3	0.4	1.2	0.1	2.0
1981	-0.5	0.2	-0.2	-0.5	0.5	0.2	0.2	-2.2	-0.7	-1.8
1982	0.6	1.8	-1.0	0.3	-0.7	0.2	-1.0	2.2	0.4	1.2
1983	-0.2	-0.03	0.9	0.3	-0.2	0.05	-0.5	1.7	1.2	2.1
1984	-0.5	0.8	-0.2	-0.4	0.3	0.6	-1.1	-0.5	-0.5	-0.6
1985	-1.1	-0.7	0.2	0.9	0.5	0.3	-0.8	0.6	-0.1	1.1
1986	-1.0	0.2	0.1	-0.9	-0.5	-0.5	1.8	2.3	0.2	2.4
1987	1.3	-0.5	-2.6	-0.4	1.3	-0.2	3.6	1.1	0.1	2.2
1988	-0.2	0.3	-0.4	0.1	0.8	-0.5	-0.9	1.5	0.2	0.9
1989	0.6	0.8	-0.2	0.6	0.5	0.8	1.8	-0.3	-0.9	4.1
1990	0.5	-0.6	0.3	-0.8	0.1	0.5	-1.1	-1.4	-0.3	-3.0
1991	2.5	0.6	1.4	0.4	2.1	0.5	0.04	0.5	-0.3	5.7
1992	-0.3	0.2	-0.1	-0.3	0.2	-0.7	-0.1	-0.2	0.04	-1.1
1993	0.01	0.7	0.1	-0.1	-0.4	-0.5	-0.2	0.3	0.1	-0.1
1994	0.01	0.2	0.4	-0.3	0.1	-0.4	-0.03	0.3	-0.1	0.2
1995	0.8	0.2	0.4	0.4	-0.1	0.3	0.8	0.1	-0.6	1.8
1996	-0.3	0.5	0.6	0.1	-0.4	-1.7	-0.5	1.5	-0.1	0.1
1997	-1.5	-0.7	0.4	1.8	1.8	-0.04	0.5	0.2	-1.1	4.0
1998	2.1	-0.2	-0.1	1.3	-0.8	-0.2	-0.1	1.4	2.2	1.3
1999	1.6	-0.1	0.24	0.4	0.1	0.3	-1.0	-3.8	0.2	-4.0
2000	0.8	2.4	0.7	1.0	0.4	-1.0	-2.8	5.0	-1.1	5.7
2001	0.4	-0.02	0.4	0.7	0.3	-1.1	0.6	0.9	0.6	1.8
2002	0.2	-0.5	-0.3	-1.6	0.5	0.05	3.3	-0.05	2.2	1.2
2003	0.3	-0.2	0.2	1.2	0.01	0.2	-0.3	1.2	0.1	2.4
2004	0.1	-0.4	0.7	-0.01	0.01	-0.1	-0.8	-1.2	-0.4	-1.8
2005	0.4	0.04	-1.0	0.1	-0.3	-0.5	1.6	0.4	0.002	0.4
2006	-0.4	-0.5	0.4	0.7	-0.1	-0.5	-0.1	0.1	-0.6	0.003
2007	1.7	0.8	0.1	-1.4	0.1	-0.7	-1.4	0.0	-2.5	-2.5
2008	-1.0	0.6	0.5	-0.4	2.4	1.4	3.2	-0.5	0.8	7.4
2009	0.2	0.5	0.1	-0.1	0.02	-1.0	1.6	0.3	0.05	1.4
2010	-0.2	0.1	0.1	0.1	-0.2	-0.02	1.1	-0.1	0.5	1.1
2011	0.8	0.9	0.01	-1.3	1.1	-0.4	1.6	0.02	0.3	1.9
Avg	0.11	0.33	0.28	0.05	0.23	0.01	0.22	0.43	0.04	1.6

The couplet above was certainly on the mark in 1999, as the period suffered a horrendous 4.0% loss. On January 14, 2000, the Dow started its 33-month 37.8% slide to the October 2002 midterm election year bottom. NASDAQ cracked eight weeks later, falling 37.3% in 10 weeks, eventually dropping 77.9% by October 2002. Saddam Hussein cancelled Christmas by invading Kuwait in 1990. Energy prices and Middle East terror woes may have grounded Santa in 2004. In 2007, the third worst reading since 1950 was recorded, as subprime mortgages and their derivatives led to a full-blown financial crisis and the second worst bear market in history.

DECEMBER

Monday Before December Triple Witching S&P Up 8 of Last 12

MONDAY

D 47.6
S 42.9
N 47.6

16

The more feted by the media, the worse a pundit's accuracy.

— Sharon Begley (Senior editor *Newsweek*, 2/23/2009, referencing Philip E. Tetlock's 2005 *Expert Political Judgment*)

December Triple Witching Week, S&P Up 22 of Last 28
2009 Broke 8-Year Bull Run

 D 57.1
S 61.9
N 52.4

TUESDAY
17

Sight and Sound function differently in the mind, with sound being the surer investment. WIN THE EARS OF THE PEOPLE, THEIR EYES WILL FOLLOW.

— Roy H. Williams (*The Wizard of Ads*)

FOMC Meeting (2 Days)

WEDNESDAY

D 47.6
S 52.4
N 42.9

18

The inherent vice of capitalism is the unequal sharing of blessings; the inherent virtue of socialism is the equal sharing of miseries.

— Winston Churchill (British statesman, 1874–1965)

THURSDAY

D 47.6
S 42.9
N 52.4

19

That's the American way. If little kids don't aspire to make money like I did, what the hell good is this country?

— Lee Iacocca (American industrialist, Former Chrysler CEO, b. 1924)

December Triple Witching, S&P Up 22 of 30,
Average Gain 0.4%



D 76.2
S 71.4
N 57.1

FRIDAY
20

If there's anything duller than being on a board in Corporate America, I haven't found it.

— H. Ross Perot (American businessman, *NY Times*, 10/28/92, 2-time presidential candidate 1992 & 1996, b. 1930)

SATURDAY

21

The Only FREE LUNCH on Wall Street is Served (Page 110)
Almanac Investors Emailed Alert Before the Open, Monday (See Insert)

SUNDAY

22

BEST INVESTMENT BOOK OF THE YEAR

What's Behind the Numbers: A Guide to Exposing Financial Chicanery and Avoiding Huge Losses in Your Portfolio

By John Del Vecchio and Tom Jacobs

As we prepared for our annual Best Six Months Sell Signal back in March 2012 we began informing readers that we would be recommending the **AdvisorShares Active Bear ETF** (HDGE) exchange traded fund for our defensive play this year in addition to the bond ETFs. HDGE produced better results in down markets than the mutual funds we had recommended in previous years, and now that it had been trading for more than a year with healthy volume we were comfortable using it as our Worst Six Months timing vehicle. Being an ETF, fees are much lower than the mutual funds and you can trade in and out of it intraday like any stock. It was a no brainer.

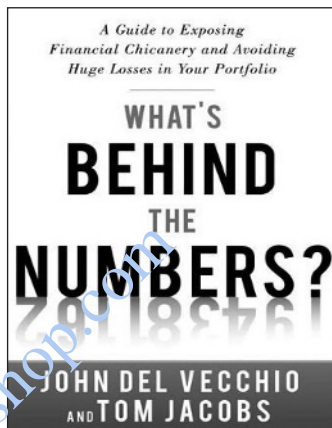
We began revealing our bearish outlook in April 2012 and our downside protection picks for the Worst Six Months. We spoke frequently about HDGE and added it to the *Almanac Investor* ETF Portfolio on April 3 at 20.63 on our Sell Signal. At the end of May HDGE was up 18.5% and climbing as the major U.S. equity indices were down 6 to 9% and falling. (*Full Disclosure: At press time the Editor in Chief held a position in HDGE.*)

Our coverage of HDGE initiated a dialogue with the portfolio managers. They of course were pleased we were recommending their ETF and wanted us to be fully aware of the fund's inner workings and holdings. After several discussions and exchanges we had a candid conversation with HDGE's portfolio managers, John Del Vecchio and Brad Lamensdorf, that was published May 10, 2012, in the Investor Alert "Inside the Bear's Lair" at www.stocktradersalmanac.com.

Then Mr. Del Vecchio sent us a review copy of his upcoming book. Once we began to pour through it we knew this had to be our 2013 Best Investment Book of the Year. In a witty, pithy, and easy-to-read style Del Vecchio and co-author Tom Jacobs show you how to uncover *What's Behind the Numbers*. Under their tutelage forensic accounting is reduced to Math 101. You will learn how to employ the metrics they use to expose financial chicanery in companies and unearth the best short sales and to protect yourself from owning those stocks most likely to blow up and wreak havoc on your portfolio.

We have long believed that the price-to-sales ratio was the best metric for stock valuation as revenue is much harder to manipulate than earnings. This concept was made famous by renowned money manager Ken Fisher in the 1980s and affirmed by James P. O'Shaughnessy in his landmark book, *What Works on Wall Street*. But as companies and their managers have come increasingly under pressure to meet and exceed expectations they have developed ever-better ways to manipulate revenue as well as earnings. Del Vecchio and Jacobs teach us how to better value stocks by understanding and recognizing aggressive revenue recognition, excessive accounts receivable, and the power of earnings quality. Read *What's Behind the Numbers* so you can keep your portfolio clear of ticking stock bombs.

McGraw-Hill, \$30.00, <http://www.deljacobs.com>. **2013 Best Investment Book of the Year.**



YEAR'S TOP INVESTMENT BOOKS

The Little Book of Stock Market Cycles, Jeffrey A. Hirsch, Wiley, \$22.95. Forty-six years of research and analysis into why these cycles occur with the historical evidence to prove it. Don't subscribe to the buy-and-hold mantra. Simple, actionable ideas that have stood the test of time and consistently outperformed the market.

(continued on page 116)

DECEMBER

Watch for the Santa Claus Rally (Page 112)

 MONDAY
D 71.4
S 71.4
N 76.2 **23**

Over the last 25 years, computer processing capacity has risen more than a millionfold, while communication capacity has risen over a thousandfold.
— Richard Worzel (Futurist, *Facing the Future*, b. 1950)

(Shortened Trading Day)
Last Trading Day Before Christmas, Dow Up Last 5 Years


 TUESDAY
D 57.1
S 61.9
N 66.7 **24**

[The Fed] is very smart, but [it] doesn't run the markets. In the end, the markets will run [the Fed]. The markets are bigger than any man or any group of men. The markets can even break a president...
— Richard Russell (*Dow Theory Letters*, 8/4/04)

Christmas Day (Market Closed)

WEDNESDAY
25

We do not believe any group of men adequate enough or wise enough to operate without scrutiny or without criticism... the only way to avoid error is to detect it, that the only way to detect it is to be free to inquire... in secrecy error undetected will flourish and subvert.
— J. Robert Oppenheimer (American physicist, father of A-bomb, 1904–1967)

 THURSDAY
D 85.7
S 81.0
N 76.2 **26**

We can guarantee cash benefits as far out and at whatever size you like, but we cannot guarantee their purchasing power.
— Alan Greenspan (Fed Chairman, 1997–2006, on funding Social Security to Senate Banking Committee 2/15/05)

FRIDAY
D 57.1
S 57.1
N 57.1 **27**

I'm not better than the next trader, just quicker at admitting my mistakes and moving on to the next opportunity.
— George Soros (Financier, philanthropist, political activist, author and philosopher, b. 1930)

SATURDAY
28

January Almanac Investor Seasonalities: See Pages 92, 94 and 96

SUNDAY
29

YEAR'S TOP INVESTMENT BOOKS

(continued from page 114)

The Indomitable Investor: Why a Few Succeed in the Stock Market When Everyone Else Fails, Steven M. Sears, Wiley, \$29.95. *Barron's* columnist and options expert candidly enlightens us with what makes the market tick.

Backstage Wall Street: An Insider's Guide to Knowing Who to Trust, Who to Run From, and How to Maximize Your Investments, Joshua M. Brown, McGraw-Hill, \$28.00. Sometimes barbed, always salient and entertaining, Brown's stock broker experiences will help you avoid many portfolio pitfalls.

Mastering Elliott Wave Principle: Elementary Concepts, Wave Patterns, and Practice Exercises, Constance Brown, Bloomberg Press, \$75.00. Serious technical analysis, not for the faint of heart. Ms. Brown's *Technical Analysis for the Trading Professional*, 2nd Edition, is required reading for the Market Technicians Association's final CMT (Chartered Market Technician) certification exam.

The Behavior Gap: Simple Ways to Stop Doing Dumb Things with Money, Carl Richards, Portfolio/Penguin, \$24.95. We keep a signed framed copy of Carl's iconic drawing on our wall: "Greed/Buy, Fear/Sell ... Repeat Until Broke!" Cocktail-napkin charting on steroids.

Survival of the Fittest for Investors: Using Darwin's Laws of Evolution to Build a Winning Portfolio, Dick Stoken, McGraw-Hill, \$29.95. Shows how, with heightened insight and a powerful algorithm, you can survive and thrive in volatile markets by following the simple principles of evolution.

The Trader's Book of Volume: The Definitive Guide to Volume Trading, Mark Uebovitz, McGraw-Hill, \$50.00. Shows how to use volume to identify and assess the strength of trade-worthy trends. Also provides in-depth techniques and strategies for trading volume indicators for profit.

Markets Never Forget (But People Do): How Your Memory Is Costing You Money—and Why This Time Isn't Different, Ken Fisher and Lara Hoffmans, Wiley, \$29.95. Billion-dollar money manager and market sage insists that we remember the past and profit from history.

Investing Without Wall Street: The Five Essentials of Financial Freedom, Sheldon Jacobs, Wiley, \$24.00. A skeptical, clearheaded approach to investing. Complete portfolio diversification with only two funds. Use the media to get the best advice and recommendations.

The Era of Uncertainty: Global Investment Strategies for Inflation, Deflation, and the Middle Ground, Francois Trahan, Katherine Krantz, Wiley, \$29.95. Proof that macro matters. Macro trends will be important for investment success during the next several years of tumultuous market conditions and crucial for spotting the next boom.

Gents with No Cents, Ron DeLegge II, Half Full Publishing, \$24.99. Take a walk on the light side of Wall Street.

The Reinventors: How Extraordinary Companies Pursue Radical Continuous Change, Jason Jennings, Portfolio/Penguin, \$26.95. Bestselling author Jennings explores the most urgent question facing companies today: How do you continually adapt, grow, and stay vital when the game rules always change?

End This Depression NOW!, Paul Krugman, Norton, \$24.95. Nobelist Krugman tells us that what we need now for a rapid, powerful recovery is a burst of government spending to jumpstart the economy.

That Used To Be Us: How America Fell Behind in the World It Invented and How We Can Come Back, Thomas L. Friedman and Michael Mandelbaum, Farrar, Straus and Giroux, \$28.00. Authors show how America's history offers a 5-part formula for prosperity that will enable us to cope with future challenges.

Economic Warfare: Secrets of Wealth Creation in the Age of Welfare Politics, Ziad K. Abdelnour, Wiley, \$34.95. Ziad stirs up the fire in the belly of America and revives our "animal spirits" in a call to rein in wasteful government so our economy can thrive.


Private Empire: ExxonMobil and American Power, Steve Coll, Penguin, \$36.00. This is the first hard-hitting book-length examination of the world's most powerful and notoriously secretive company.

Breakout Nations: In Pursuit of the Next Economic Miracles, Ruchir Sharma, Norton, \$26.95. Morgan Stanley Emerging Markets head reassesses former superstars of emerging markets and highlights lesser-known economies that, even in these tough times, are poised to become the new breakout nations.

Why Nations Fail: The Origins of Power, Prosperity, and Poverty, Daron Acemoglu and James A. Robinson, Crown Business, \$30.00. From the Roman Empire through modern times the authors illustrate the common causes behind success and failure and what can be done to build widespread prosperity.

The Third Industrial Revolution: How Lateral Power Is Transforming Energy, the Economy, and the World, Jeremy Rifkin, Palgrave Macmillan, \$27.00. Just imagine hundreds of millions of people producing their own green energy in their homes, offices, and factories, and sharing it on an "energy Internet."

DECEMBER/JANUARY 2014

 MONDAY
D 47.6
S 66.7
N 57.1 **30**

We may face more inflation pressure than currently shows up in formal data.

— William Poole (Economist, president Federal Reserve Bank St. Louis 1998–2008, June 2006 speech, b. 1937)

**Last Trading Day of the Year, NASDAQ Down 11 of last 12
NASDAQ Was Up 29 Years in a Row 1971–1999**

 TUESDAY
D 38.1
S 28.6
N 47.6 **31**

Our philosophy here is identifying change, anticipating change. Change is what drives earnings growth, and if you identify the underlying change, you recognize the growth before the market, and the deceleration of that growth.

— Peter Vermilye (Baring America Asset Management, 1987)

New Year's Day

WEDNESDAY
1

There is a habitual nature to society and human activity. People's behavior and what they do with their money and time bears upon economics and the stock market.

— Jeffrey A. Hirsch (Editor, *Stock Trader's Almanac*, b. 1966)


**Small Caps Punished First Trading Day of Year
Russell 2000 Down 14 of Last 23, But Up Last 4**

THURSDAY
D 66.7
S 42.9
N 61.9 **2**

When you're one step ahead of the crowd, you're a genius. When you're two steps ahead, you're a crackpot.

— Shlomo Riskin (Rabbi, author, b. 1940)

**Second Trading Day of the Year, Dow Up 14 of Last 19
Santa Claus Rally Ends (Page 112)**

 FRIDAY
D 66.7
S 61.9
N 66.7 **3**

Our firm conviction is that, sooner or later, capitalism will give way to socialism... We will bury you.

— Nikita Khrushchev (Soviet leader 1953–1964, 1894–1971)

SATURDAY
4

SUNDAY
5

2014 STRATEGY CALENDAR


(Option expiration dates circled)

	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
JANUARY	30	31	1 JANUARY New Year's Day	2	3	4	5
	6	7	8	9	10	11	12
	13	14	15	16	17	18	19
	20 Martin Luther King Day	21	22	23	24	25	26
	27	28	29	30	31	1 FEBRUARY	2
FEBRUARY	3	4	5	6	7	8	9
	10	11	12	13	14 ♥	15	16
	17 Presidents' Day	18	19	20	21	22	23
	24	25	26	27	28	1 MARCH	2
MARCH	3	4	5 Ash Wednesday	6	7	8	9 Daylight Saving Time Begins
	10	11	12	13	14	15	16
	17 St. Patrick's Day	18	19	20	21	22	23
	24	25	26	27	28	29	30
APRIL	31	1 APRIL	2	3	4	5	6
	7	8	9	10	11	12	13
	14	15 Tax Deadline Passover	16	17	18 Good Friday	19	20 Easter
	21	22	23	24	25	26	27
	28	29	30	1 MAY	2	3	4
MAY	5	6	7	8	9	10	11 Mother's Day
	12	13	14	15	16	17	18
	19	20	21	22	23	24	25
	26 Memorial Day	27	28	29	30	31	1 JUNE
JUNE	2	3	4	5	6	7	8
	9	10	11	12	13	14	15 Father's Day
	16	17	18	19	20	21	22
	23	24	25	26	27	28	29

Market closed on shaded weekdays; closes early when half-shaded.

2014 STRATEGY CALENDAR

(Option expiration dates circled)

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
30	1	2	3	4 <small>Independence Day</small>	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31	1 AUGUST	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31
1 SEPTEMBER <small>Labor Day</small>	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25 <small>Rosh Hashanah</small>	26	27	28
29	30	1 OCTOBER	2	3	4 <small>Yom Kippur</small>	5
6	7	8	9	10	11	12
13 <small>Columbus Day</small>	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31 	1 NOVEMBER	2 <small>Daylight Saving Time Ends</small>
3	4 <small>Election Day</small>	5	6	7	8	9
10	11 <small>Veterans' Day</small>	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27 <small>Thanksgiving</small>	28	29	30
1 DECEMBER	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20 <small>Chanukah</small>	21
22	23	24	25 <small>Christmas</small>	26	27	28
29	30	31	1 JANUARY <small>New Year's Day</small>	2	3	4

JULY

AUGUST

SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER