

Santa Rally - Fact or Fantasy?

Aussie Markets Update using "4 Windows"

**Santa Rally?
Fact or fantasy?**

One of two presentations to the
Melbourne ATAA meeting
January 2014

Robert Brain

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Revision 1.0

This slide features a blue header with a yellow printer icon and a '4 Windows' menu. The main title is in a light blue box. The text below is centered.

Introduction & Housekeeping

Santa Rally & 2014 Outlook

The Melbourne ATAA presentation covered two topics, with the slides for each topic available in two separate files:

- **The truth about the Santa Rally** — is it really true? or is it fiction?
- **Australian market outlook for 2014** using key technical analysis tools, analysing the All Ordinaries index (utilising key details from Robert's "4 Windows" approach).

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Introduction & Housekeeping

Underlying premise

The price charts of stocks and the indexes summarise the underlying opinions and emotions of market participants.

- Therefore, every chart can tell a story
- It is very useful to be able to understand the stories in the price charts.

**Every chart tells a story.
Understand the stories in the charts.**

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Santa Rally - Fact or Fantasy?

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Introduction & Housekeeping

About... Robert Brain

Nimble Short term Investor
consultant, educator and part-time* share trader
web-based sharemarket-support business

- Many years experience as trainer, presenter, conference facilitator (Scouts)
- Share Market – active 15+ years* (slowly at first)
- Chartist ie. technical analyst (ATAA member and national director)
- Provide support and tuition to traders and investors *Brainy's Share Market Toolbox*
- Member Mensa
- Engineering Degree (structured thinking with an eye for charts and diagrams)
- 30+ years – professional experience (IT and management)
- Do not hold AFS license! (Can't give advice)
- BullCharts software** (convener Australian BullCharts User Group and authorised reseller with special pricing)

* - Not yet enough capital to live off the proceeds of trading (after trading as a hobby until a career change in 2008)

Conflict of Interest

Santa Rally fact or fiction? The real truth

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Santa Rally - Fact or Fantasy?

 **Santa Rally — the real truth**

Santa Rally?

- In the lead up to Christmas...
- Many commentators talk about it on TV, and in the press.
- But is it real? What is it?
- When does it occur?
- Is it reliable?
- Which market(s)?
- What do you think?



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 **Santa Rally — the real truth**

Santa Rally?

What do you think?



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 **Santa Rally — the real truth**

Definition?

Wikipedia:

- *A rise in stock prices in the month of December, generally seen over the final week of trading prior to the new year.*

Possible reasons:

- Buying bias after end of year tax loss selling.
- Anticipation of the *January effect*.
- "Window crossing".

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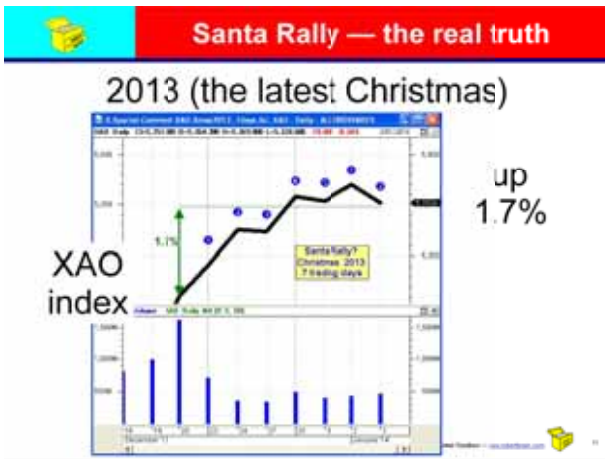
Santa Rally — the real truth

Yale Hirsch

Yale Hirsch (editor in chief *Stock Trader's Almanac*) observed in 1972:


- The last five trading days of the year plus the first two of the New Year;
- The S&P500 index averaged a 1.5 percent gain for that 7-day window since 1950;
- Possible cause:
Buying bias by the pros after end-of-year tax loss selling.

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Santa Rally - Fact or Fantasy?

 **Santa Rally — the real truth**

6-year performance

| Year Christmas period | XAO percent change |
|-----------------------|--------------------|
| 2008 | +4.2% |
| 2009 | +4.6% |
| 2010 | -1.0% |
| 2011 | +1.2% |
| 2012 | +2.5% |
| 2013 | +1.7% |

not bad!

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 **Santa Rally — the real truth**


Is this at all useful?

- For the average retail investor?
- For the shorter term investor?
- For a trader?

?

Can you benefit from this?
(eg. trade the index)

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 **Santa Rally — the real truth**

Conclusion?

According to Yale's definition,
how do we know if we are experiencing
a *Santa Rally*?

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Santa Rally - Fact or Fantasy?

 **Santa Rally — the real truth**

Conclusion?

According to Yale's definition, how do we know if we are experiencing a *Santa Rally*?

- We don't until after the second trading day in January
- Note: the definition is a price increase over 7 trading days — and nothing to do with a "rally" or "uptrend" or higher highs/lows...

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 **Santa Rally — the real truth**

Mr Sceptic...

A sceptic might say:

"This notion continues to be peddled by 'Wall Street' to give a glimmer of hope regardless of the economy, and to encourage market participation (more liquidity, more benefit for brokers)."

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 **Santa Rally — the real truth**

More general conclusion?

- Media commentators and analysts talk about it; but why? —
To encourage interest in their own medium or "channel" (or they can't think of anything else to talk about)?
- More general definitions of "Santa Rally" are not very useful or helpful for retail investors (unless you want to trade the index)

Interesting dinner conversation topic!

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 **Summary & Wrap up**

THANK YOU

A more detailed set of slides complete with extra commentary is available for Premium *Share Market Toolbox* Members
www.robertbrain.com/premium

These slides will be on the ATAA web site soon, and in my Share Market Toolbox:
www.robertbrain.com/presentations/

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 **Summary & Wrap up**

Don't forget my Toolbox

- Brainy's *Share Market Toolbox* 
 - (1) www.robertbrain.com
 - (2) Loads of eBook (PDF) Articles
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 - (4) Weekly Market Updates and Watch List
 - (5) monthly e-Newsletter *special topics*
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