

«The Season may favour some profit taking»

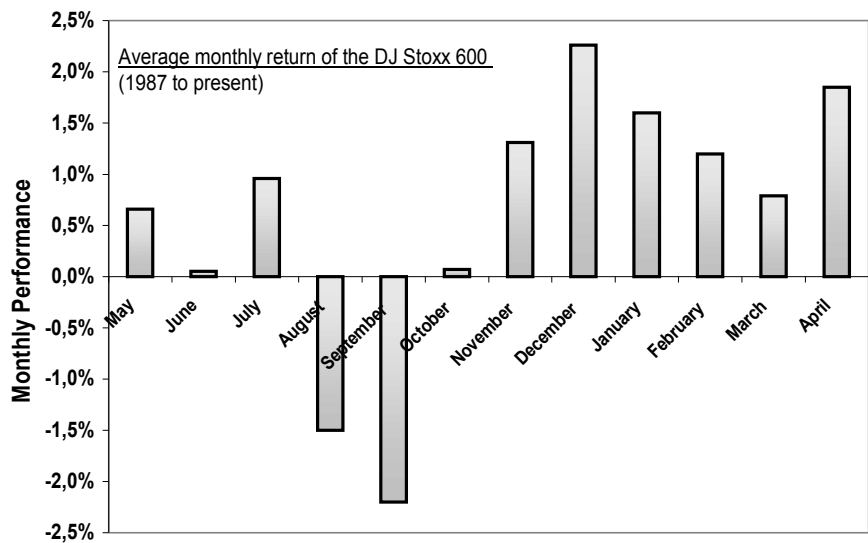
A few statistical tables for your consulting.

The stock market has entered that part of the year when some seasonal weakness may surface. It is a pattern well recognized by financial operators, and TheEuropeanSide proposes a quick reference for the reader who may need useful statistical tables on his or her desk. Simply put, there are two separate periods each year, one usually favourable and one usually unfavourable. The favourable interval lasts from November through April, the unfavourable from May through October.

Starting from 1987, the performance of the DJ Stoxx 600, a large European index including Switzerland and the UK, has produced an average return of -2% during the May-October season, while the same investment would have grown by +9% in the November-April season over the same time period.

Over the 19 years considered, in other words, €10.000 invested solely from May to October would have compounded a total loss in excess of €3.000. The same €10.000 invested from November through April would have grown to €47.000. The two halves of the year presented

The Roller Coaster Ride of Monthly Performance



The seasonal pattern is well established

The May-October period is usually weak		The November-April period is usually strong	
May-October period	Performance in the 6 months (DJ stoxx 600)	November-April period	Performance in the 6 months (DJ stoxx 600)
May-October 1987	-15,9%	Nov 87 - April 88	2,80%
May-October 1988	10,8%	Nov 88 - April 89	11,60%
May-October 1989	2,2%	Nov 89 - April 90	2,50%
May-October 1990	-11,5%	Nov 90 - April 91	16,30%
May-October 1991	-0,6%	Nov 91 - April 92	5,20%
May-October 1992	-13,5%	Nov 92 - April 93	14,10%
May-October 1993	19,2%	Nov 93 - April 94	4,60%
May-October 1994	-6,5%	Nov 94 - April 95	-0,05%
May-October 1995	7,4%	Nov 95 - April 96	14,20%
May-October 1996	3,5%	Nov 96 - April 97	23,90%
May-October 1997	10,0%	Nov 97 - April 98	30,40%
May-October 1998	-11,0%	Nov 98 - April 99	24,00%
May-October 1999	1,6%	Nov 99 - April 00	23,70%
May-October 2000	-1,2%	Nov 00 - April 01	-11,90%
May-October 2001	-18,9%	Nov 01 - April 02	4,70%
May-October 2002	-26,7%	Nov 02 - April 03	-8,60%
May-October 2003	13,7%	Nov 03 - April 04	7,90%
May-October 2004	0,5%	Nov 04 - April 05	6,60%
May-October 2005	13,4%		
Number of positive intervals: 10 out of 19		Number of positive intervals: 15 out of 18	
Average result in the six months: -2%		Average result in the six months: +9%	

asymmetrical risks from any point of view. For instance, the six months from November through April were negative only in three occasions, and two of them occurred during the devastating bear market of 2000-2003. Meanwhile, the May-October period was negative in nine different cases.

The monthly performance chart indicates a sharp seasonal pattern with winter and spring months strongly outperforming the other ones. August and September look like doomed months, while May, June, and October are basically flat. Without the terrible plunge of 1987, however, October would be a normal one. The months from November through April are the crown jewels of the year.

If the conventional wisdom prevailed, a normal correction might develop over the next few months, in which the downward seasonal tendency would combine with a strong euro and soaring commodity prices to favour some profit taking. But if the analysts reported this week are right, the bull market has still got the legs to run.

Staff