STOCK TRADER'S ALMANAC

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November 2014 Trading & Investment Strategy

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Market at a Glance

10/29/2014: Dow 16974.31 | S&P 1982.30 | NASDAQ 4549.23 | Russell 2K 1146.37 | NYSE 10646.66 | Value Line Arith 4483.98

Psychological: *Fickle.* As a contrarian indicator, trader and investor sentiment has not been that reliable recently. After reaching multi-year highs just a few months ago, bulls quickly disappeared during the recent market rout. Most bulls fled for the correction camp, while a few actually turned bearish. This migration caused the correction group to swell to multi-year or perhaps all-time time heights depending on survey source. After just one week, this massive shift has already unwound substantially. There seems to be little conviction to a trade or investment plan (if there actually is a plan). Hastily reacting to the market's daily swings is not a path to success.

Fundamental: *Firm.* Broadly speaking economic data is generally solid here in the U.S. Initial Q3 GDP was better than expected at 3.5%. Job creation is chugging along (248,000 in September) while initial weekly unemployment claims are hanging around multi-years lows and the unemployment rate is at 5.9%. Factor in the benefit of falling energy prices and the U.S. consumer is in reasonably good shape. The lack of overseas growth is a concern, but it has yet to have a significant impact on our data or corporate earnings.

Technical: *Recovering.* Alright, technically the 10% definition of a correction was not fully satisfied earlier this month, but it sure felt like one. There were four straight weeks of declines with DJIA, S&P 500 and NASDAQ all closing below their respective 50- and 200-day moving averages, but support was found right around the lows of April in mid-October. The market has since rallied back and DJIA, S&P 500 and NASDAQ have all reclaimed their 50- and 200-day moving averages. During the brisk rally many technical indicators are getting stretched and indices are nearing resistance in the vicinity of their mid-September highs. A pause may be in order, but the market will likely be at new highs before yearend.

Monetary: *0-0.25%.* Fed QE will be over at month's end. Have no fear though; the Fed is still reinvesting interest and principle payments made on its massive portfolio of bonds so they will remain an active participant in bond markets. This combined with their pledge to keep the Fed funds rate low for a "considerable time" should keep interest rates well anchored. And if this is still not enough liquidity, the ECB is beginning to serve up its own version of QE.

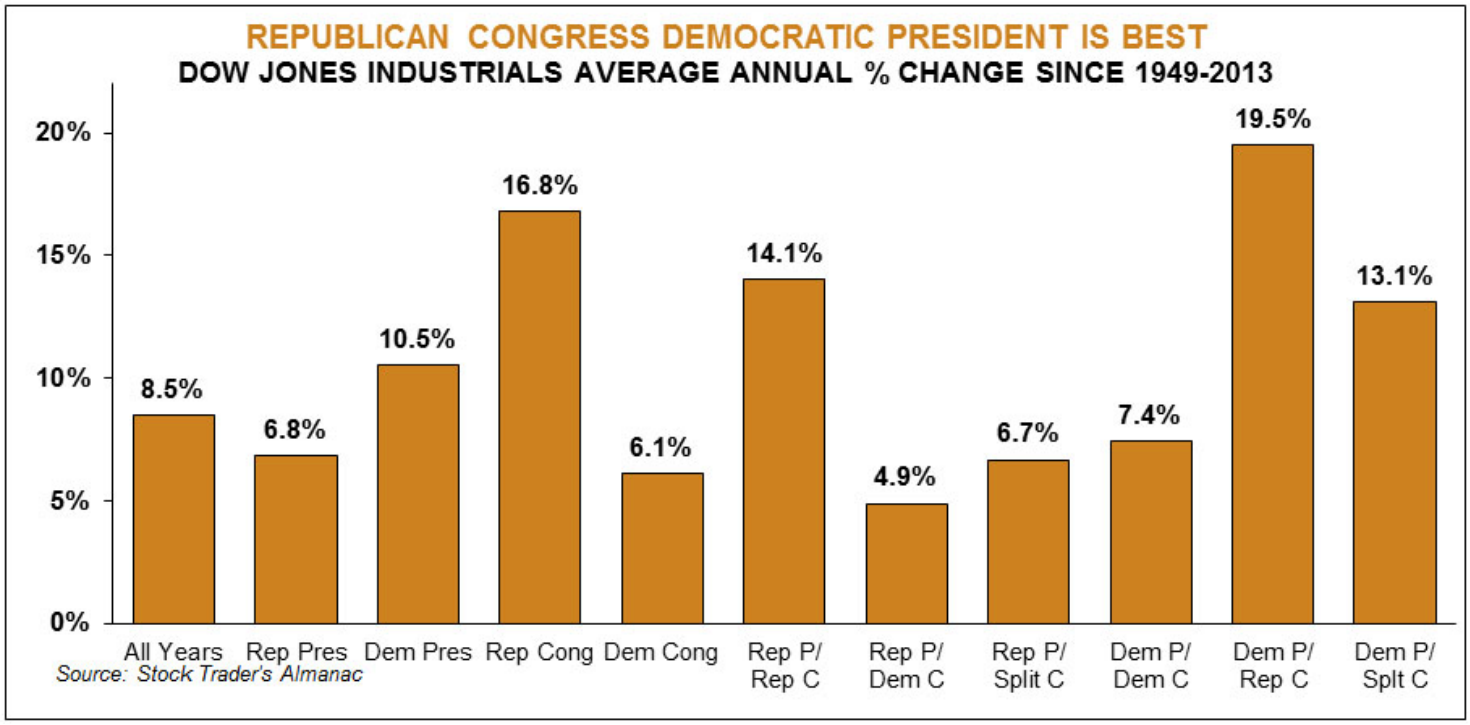
Seasonal: *Bullish.* November is the first month of the "Best Six Months" for DJIA and S&P 500 and NASDAQ's "Best Eight Months." DJIA, S&P 500 and NASDAQ have averaged gains of 1.5% since 1950 in November (1971 for NASDAQ). In midterm years, November's market prowess is relatively unchanged. DJIA has advanced in 12 of the last 16 midterm years since 1950 with an average gain of 2.5%. S&P 500 has also been up in 12 of the past 16 midterm years, gaining on average 2.7%.

Market Digests End of QE, Bulls Feed On Good Data

Let's stick with the game plan. As usual the end of the third quarter and October delivered a rather garden variety correction or pullback of about 10% on the S&P 500 intraday from the high on September 19 to the low on October 15. Extremely high sentiment gauge readings dropped quickly and have now bounced back, indicating the v-shaped rebound. There is however still a plethora of negative media and marketing out there preying on fears, which is keeping cash on the sidelines. As the market reclaims the highs look for that cash to pour back in. The correction is over.

The market has snapped back powerfully in typical October fashion and most indications are that the rally will continue – with a few fits and starts – through yearend. After that, we expect another pullback in the January-February period, followed by more upside into the spring of pre-election year 2015.

Additional quantitative easing by the Fed has now officially ended. While they have stopped adding to their bond portfolio, they will continue to reinvest the interest and principal payments on their massive $4 trillion balance sheet, continuing the flow of money into the market. The Fed is not likely to raise interest rates until the middle of next year at the earliest and will probably not do much until the new Congress convenes in January. As I said on yesterday's blog post, the odds of Republicans taking back the Senate and a large number of House seats is lower than many people think. Either scenario is fine really. Democratic presidents under Republican Congress have produced the greatest market gains (19.5%), and we have not done so bad with this split Congress (13.1%) – though this is only the 4th year of that combination.



Obama's ratings are embarrassingly low, but the economy is on pretty sure footing, the market is strong and the Republican Party seems splintered. Unemployment is down. Inflation is low and deflation appears to have been averted. GDP is solid and beat forecasts. Housing has plateaued, but is still in decent shape, while consumer spending has held up and confidence is high. People are likely to vote for the familiar name. Most people here in New York have no idea who the Republican challenger is against Cuomo for Governor.

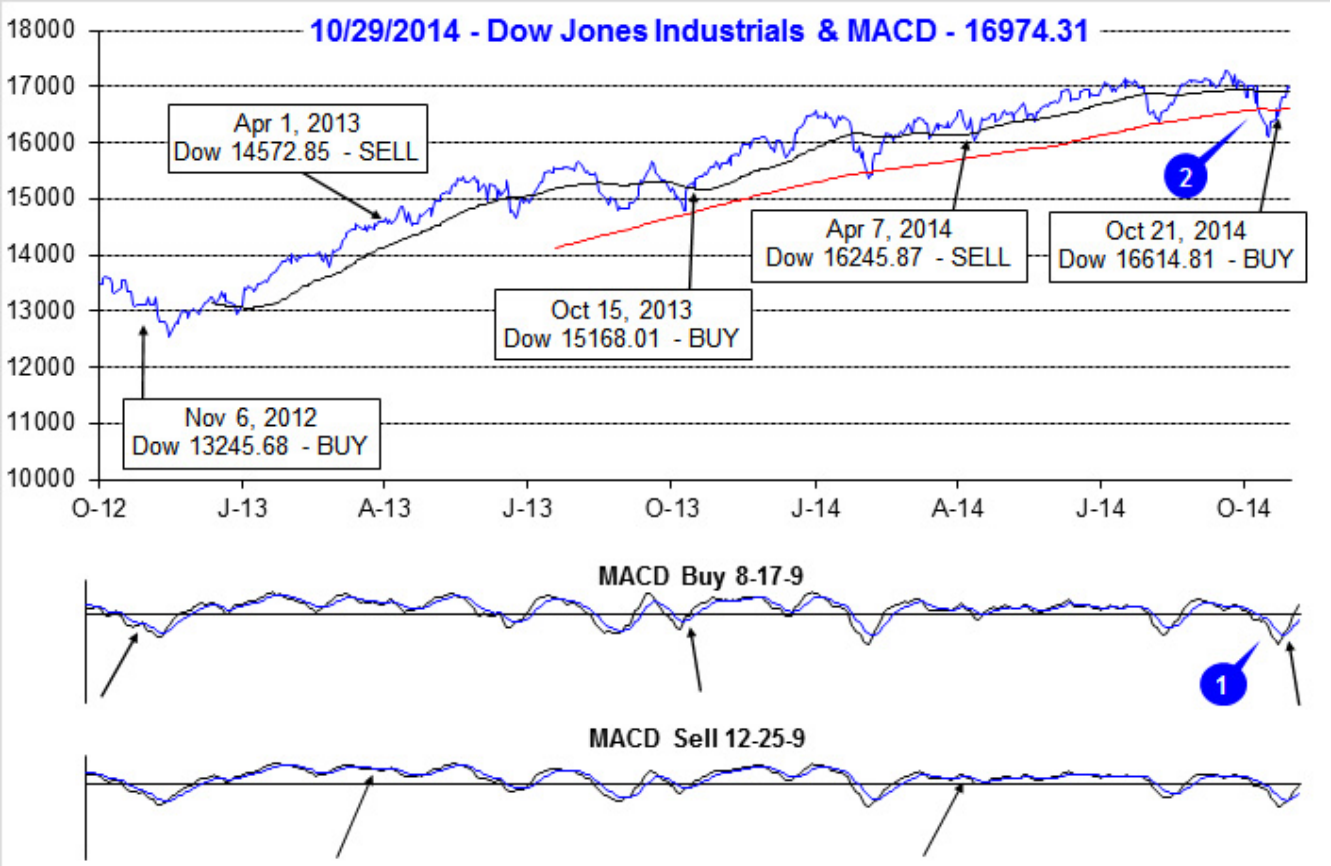
Oil is down and that's good for consumers and the pocketbooks of voters. Gold is down and that money is moving into stocks. The European Central Bank is now cranking up its quantitative easing program and much of that money is likely to head for U.S. equities, where the returns are at the moment.

Our Best Six Months Seasonal MACD Buy Signal was issued last week and looks to be a solid indication of higher prices. We are firmly in the sweet spot of the 4-year cycle, Q4 of the midterm year through Q2 of the pre-election year. And the Best Six Months start on the close tomorrow. We loaded up on ETFs and stocks over the past month and our picks on average are outpacing the market despite a few losers that we will look to dump if they do not get with the program.

Happy Halloween!

Pulse of the Market

At the close on October 21, the faster moving MACD indicator applied to DJIA turned positive (1) and we issued our Seasonal Buy signal. S&P 500 and NASDAQ MACD indicators also turned positive on that day marking the official start of the "Best Six/Eight Months." From our buy signal through yesterday's close DJIA was up 2.2%, S&P 500 2.1% and NASDAQ 2.9%. The small-cap Russell 2000 index is performing modestly better at 3%. After quickly falling below its 50- and 200-day moving averages (2), DJIA reclaimed both of these key support levels on Tuesday.



DJIA's streak without a Down Friday/Down Monday (DF/DM) (3) came to an end at 26 weeks on October 13. In this case, DJIA did modestly decline further however; this DF/DM marked a significant shift in sentiment that would ultimately lead to a brisk v-shaped recovery and the end of a four-week losing streak for DJIA, S&P 500 and NASDAQ. The following week (ending October 24) S&P 500 enjoyed its best weekly gain (4) since January 4, 2013. NASDAQ had its best week (5) since December 2011.

Last week's solid advance was accompanied by the best ratio of Weekly NYSE Advancers to Decliners (6) since last October. This signals broad participation in the rally which is indicative of a healthy, fundamentally sound market advance. Were it not for weakness across numerous commodities such as oil and precious metals, this ratio may have been even better.

Further indications that the pullback is most likely over and a typical yearend rally has commenced can be seen in the number of New Lows (7) and the spike in the Weekly CBOE Put/Call ratio (8). At 813, that was the greatest number of New Lows since October 2011 when the market made a significant bottom following its battle with the European debt crisis and a dysfunctional Congress that could not reach an agreement to raise the Federal debt limit. Back-to-back readings of the Weekly Put/Call ratio above 0.70 suggest a notable shift in sentiment occurred and more cash is now on the sidelines. This creates a solid foundation for the rally to build upon.

Click for larger graphic…

Pulse of the Market

Week End	DJIA	Net Change Week	Net Change On Fri**	Net Change Next Mon*	S&P 500	% Change Week	NASDAQ	% Change Week	NYSE Adv	NYSE Decl	NYSE New Highs	NYSE New Lows	CBOE Put/Call Ratio	90-Day Treas. Rate	Moody's AAA Rate
13-Jun-14	16775.74	– 148.54	+ 41.55	+ 5.27	1936.16	– 0.7%	4310.65	– 0.2%	1302	1910	492	41	0.51	0.04	4.28
20-Jun-14	16947.08	+ 171.34	+ 25.62	– 9.82	1962.87	1.4%	4368.04	1.3%	2243	973	574	51	0.47	0.03	4.27
27-Jun-14	16851.84	– 95.24	+ 5.71	– 25.24	1960.96	– 0.1%	4397.93	0.7%	1817	1414	556	66	0.53	0.03	4.20
4-Jul-14	17068.26	+ 216.42	+ 92.02	– 44.05	1985.44	1.2%	4485.93	2.0%	1944	1276	599	30	0.52	0.02	4.23
11-Jul-14	16943.81	– 124.45	+ 28.74	+ 111.61	1967.57	– 0.9%	4415.49	– 1.6%	1173	2070	309	60	0.60	0.03	4.19
18-Jul-14	17100.18	+ 156.37	+ 123.37	– 48.45	1978.22	0.5%	4432.15	0.4%	1679	1538	386	62	0.57	0.02	4.16
25-Jul-14	16960.57	– 139.61	– 123.23	+ 22.02	1978.34	0.01%	4449.56	0.4%	1503	1720	435	91	0.60	0.03	4.12
1-Aug-14	16493.37	– 467.20	– 69.93	+ 75.91	1925.15	– 2.7%	4352.64	– 2.2%	484	2772	260	191	0.68	0.03	4.13
8-Aug-14	16553.93	+ 60.56	+ 185.66	+ 16.05	1931.59	0.3%	4370.90	0.4%	1987	1239	106	196	0.69	0.03	4.14
15-Aug-14	16662.91	+ 108.98	– 50.67	+ 175.83	1955.06	1.2%	4464.93	2.2%	2318	909	234	79	0.62	0.04	4.08
22-Aug-14	17001.22	+ 338.31	– 38.27	+ 75.65	1988.40	1.7%	4538.55	1.6%	2318	914	405	52	0.54	0.03	4.08
29-Aug-14	17098.45	+ 97.23	+ 18.88	– 30.89	2003.37	0.8%	4580.27	0.9%	2168	1058	428	42	0.59	0.03	3.98
5-Sep-14	17137.36	+ 38.91	+ 67.78	– 25.94	2007.71	0.2%	4582.90	0.06%	1371	1837	402	52	0.64	0.03	4.03
12-Sep-14	16987.51	– 149.85	– 61.49	+ 43.63	1985.54	– 1.1%	4567.60	– 0.3%	718	2528	219	123	0.60	0.02	4.13
19-Sep-14	17279.74	+ 292.23	+ 13.75	– 107.06	2010.40	1.3%	4579.79	0.3%	1604	1622	209	187	0.60	0.02	4.21
26-Sep-14	17113.15	– 166.59	+ 167.35	– 41.93	1982.85	– 1.4%	4512.19	– 1.5%	646	2592	88	315	0.69	0.01	4.10
3-Oct-14	17009.69	– 103.46	+ 208.64	– 17.78	1967.90	– 0.8%	4475.62	– 0.8%	1235	2012	92	445	0.65	0.02	4.00
10-Oct-14	16544.10	– 465.59	**– 115.15** (3)	**– 223.03**	1906.13	– 3.1%	4276.24	– 4.5%	801	2453	103	565	0.72	0.01	3.92
17-Oct-14	16380.41	– 163.69	+ 263.17	+ 19.26	1886.76	– 1.0%	4258.44	– 0.4%	2000	1250	89	(7) 813	0.75 (8)	0.02	3.83
24-Oct-14	16805.41	+ 425.00	+ 127.51	+ 12.53	1964.58 (4)	4.1%	4483.72 (5)	5.3%	2577 (6)	692	214	101	0.63	0.02	3.93

Bold Red = Down Friday, Down Monday

** On Monday holidays, the following Tuesday is included in the Monday figure*

*** On Friday holidays, the preceding Thursday is included in the Friday figure*

Selected October 2014 Articles

November Almanac: Usually A Top-Performing Month in Any Year

By Jeffrey A. Hirsch & Christopher Mistal

November maintains its status among the top performing months as fourth-quarter cash inflows from institutions drive November to lead the best consecutive three-month span November-January. The month has taken hits during bear markets and November 2000, down –22.9% (undecided election and a nascent bear), was NASDAQ's second worst month on record—only October 1987 was worse.

November begins the "Best Six Months" for the DJIA and S&P 500, and the "Best Eight Months" for NASDAQ. Small caps come into favor during November, but don't really take off until the last two weeks of the year. November is the number-three DJIA and S&P 500 month since 1950. Since 1971, November ranks third for NASDAQ. November is second best for Russell 1000 and Russell 2000 third best since 1979.

In midterm years, November's market prowess is relatively unchanged. DJIA has advanced in 12 of the last 16 midterm years since 1950 with an average gain of 2.5%. S&P 500 has also been up in 12 of the past 16 midterm years, gaining on average 2.7%. Small-caps perform well with Russell 2000 climbing in 6 of the past 8 midterm years, averaging 3.9%. The only real blemish in the November midterm-year record is 1974 (DJIA –7.0%, bear market ended in December).

Options expiration often coincides with the week before Thanksgiving. DJIA posted ten straight gains 1993-2002 and has been up 16 of the last 21 weeks before Thanksgiving. The Monday of expiration week had been streaky with the DJIA up five straight, 1994-1998, during the bulk of the last 20th Century bull market, down five in a row, 1999-2003, up three, 2004-2006, but has been mixed since 2007, up three and down four. The net result is a bearish down 9 times in the last 15 years. Options expiration day has a clearly bullish bias, up 10 of the last 12. The week after expiration has been weak lately, down five of the last eight, but up 9.7% in 2008, enough to be the best November weekly DJIA performance since 1950.

Being a bullish month November has seven bullish days, though it does have weak points. NASDAQ and Russell 2000 exhibit the greatest strength at the beginning and end of November. Russell 2000 is notably bearish on the 12th trading day of the month, when the small-cap benchmark has risen just four times in the last 30 years (since 1984). The Russell 2000's average decline is 0.53% on the day. Recent weakness around Thanksgiving has shifted DJIA and S&P 500 strength to mirror that of NASDAQ and Russell 2000 with the majority of bullish days at the beginning and end of the month. The best way to trade Thanksgiving is to go long into weakness the week before the holiday and exit into strength just before or after.

November (1950-2013)										
	DJI		SP500		NASDAQ		Russell 1K		Russell 2K	
Rank		3		3		3		2		3
# Up		42		42		28		25		23
# Down		22		22		15		10		12
Average %		1.5		1.5		1.5		1.7		1.8
4-Year Presidential Election Cycle Performance by %										
Post-Election		1.8		1.7		2.4		3.7		2.8
Mid-Term		2.5		2.7		3.8		2.7		3.9
Pre-Election		0.3		0.3		0.9		-0.3		1.0
Election		1.5		1.3		-0.6		0.5		-0.2
Best & Worst November by %										
Best	1962	10.1	1980	10.2	2001	14.2	1980	10.1	2002	8.8
Worst	1973	-14.0	1973	-11.4	2000	-22.9	2000	-9.3	2008	-12.0
November Weeks by %										
Best	11/28/08	9.7	11/28/08	12.0	11/28/08	10.9	11/28/08	12.5	11/28/08	16.4
Worst	11/21/08	-5.3	12/21/08	-8.4	11/10/00	-12.2	11/21/08	-8.8	11/21/08	-11.0
November Days by %										
Best	11/13/08	6.7	11/13/08	6.9	11/13/08	6.5	11/13/08	7.0	11/13/08	8.5
Worst	11/20/08	-5.6	11/20/08	-6.7	11/19/08	-6.5	11/20/08	-6.9	11/19/08	-7.9
First Trading Day of Expiration Week: 1990-2013										
#Up-#Down		12-12		10-14		11-13		11-13		13-11
Streak		U2		U2		U1		U2		U2
Avg %		-0.04		-0.1		-0.1		-0.1		0.001
Options Expiration Day: 1990-2013										
#Up-#Down		17-7		15-9		11-13		15-9		11-13
Streak		U4		U2		U2		U2		U4
Avg %		0.3		0.2		-0.01		0.2		0.1
Options Expiration Week: 1990-2013										
#Up-#Down		17-7		15-9		13-11		14-10		13-11
Streak		U1		U1		U1		U1		U1
Avg %		0.4		0.06		0.1		0.02		-0.2
Week After Options Expiration: 1990-2013										
#Up-#Down		12-12		13-11		15-9		13-11		14-10
Streak		U2		U2		U2		U2		U2
Avg %		0.5		0.6		0.8		0.7		0.9
November 2014 Bullish Days: Data 1993-2013										
	5, 6, 13, 14, 17 21, 24, 25		4-6, 14, 24 25, 26		3-6, 13, 21 25, 26		4-6, 14, 21 24, 25, 26		4-6, 12, 21 25, 26, 28	
November 2014 Bearish Days: Data 1993-2013										
	None		11, 28		None		11		11, 18	

November 2014 Strategy Calendar

By Christopher Mistal

November 2014 Strategy Calendar

NOVEMBER 2014

Sector Seasonalities: Long = (L); Short = (S)

Start: None

In Play: Gold & Silver (L), Biotech (L), High-Tech (L), Consumer (L), Banking (L), Broker/Dealer (L), Computer Tech (L), Cyclical (L), Healthcare (L), Materials (L), Pharmaceutical (L), Real Estate (L), Semiconductor (L), Telecom (L), Transports (L)

Finish: Oil (S)

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SAT	SUN
*Tues: Wkly Chain Store Sales & Avg Hourly Earnings *Wed: Oil & Gas Inventories *Thurs: Weekly Unemployment Report, Weekly Mutual Fund Flows & Weekly Natural Gas Storage Report *Fri: Weekly Leading Economic Index *Except holidays					1	2 Daylight Savings Time Ends
3 1st Trading Day Dow Up 4 of Last 5 Construction Spending ISM Index Vehicle Sales	4 Election Day Average November Gains Last 21 Years: Dow: 2.0% Up 14 Down 7 Rank #2 Int'l Trade Deficit Factory Orders	5 S&P: 1.4% Up 14 Down 7 Rank #5 ISM Non-Mfg. Index	6 NAS: 1.5% Up 14 Down 7 Rank #5 Chain Store Sales Productivity and Costs	7 Consumer Debt ECRI Future Inflation Index Employment Rate Semiconductor Billings	8	9
10	11 Veterans' Day November Begins DJIA & S&P 500 "Best Six Months" and NASDAQ "Best Eight Months"	12 Wholesale Trade	13 Treasury Budget	14 Business Inventories Import/Export Prices Retail Sales U Mich Consumer Sentiment	15	16
17 First Trading Day Of Expiration Week, Dow Down 9 of Last 15 Industrial Production	18 Week Before Thanksgiving, Dow Up 16 of Last 21 2003 –1.4%, 2004 –0.8%, 2008 –5.3%, 2011 –2.9% and 2012 –1.8% PPI NAHB Housing Mrkt Index	19 FOMC Minutes Housing Starts	20 CPI Existing Home Sales Leading Indicators Philadelphia Fed Survey SEMI Book to Bill Ratio	21 Expiration Day, Dow Up 10 of Last 12 6.5% in 2008	22	23
24 Thanksgiving Trade: Long into weakness prior, exit into strength prior to the holiday.	25 Consumer Confidence GDP - Q3 Revised	26 Agricultural Prices Durable Goods New Home Sales Personal Income/Spending U Mich Consumer Sentiment	27 Thanksgiving (Market Closed)	28 Last Trading Day S&P Up 6 of Last 8 (Shortened Trading) ISM-Chicago	29	30

Economic release dates obtained from sources believed to be reliable. All dates subject to change.

Bull symbol signifies a favorable day based on the S&P 500 Rising 60% or more of the time on a particular trading day 1993-2013

Bear symbol signifies an unfavorable day based on the S&P 500 Falling 60% or more of the time on a particular trading day 1993-2013

New Highs by Yearend

By Jeffrey A. Hirsch & Christopher Mistal

Much has been said in the media above the recent brisk correction and the subsequent sharp recovery. Most of the comments we have seen suggest that the v-shaped plunge and recovery we are currently experiencing is an unhealthy and unnatural event. The market should not simply nose drive and then jump right back up. There should be a process of finding support and retesting support is what many have said. To the contrary our research

suggests the market is behaving within reason and those that missed much of the rebound are just angry they missed the ride back up.

Although we are not in the midst of a nasty bear market there are numerous similarities between the market's trading over the past month and previous waterfall declines that have occurred. But, before covering them let's review what exactly is a waterfall decline by revisiting research originally published in the February 2009 edition of *Almanac Investor* that has been updated to include events since then now.

Most bear market bottoms since 1950 were preceded by precipitous declines. These plunges, or waterfall declines, ranging from 12-28% and 2-4 months in duration, were responsible for creating the feelings of outright fear, desperation and helplessness that so characterize investor sentiment at bear market bottoms. Remarkable however, is the fact that it only took 3-8 months for the rebound from those bottoms to reach the levels where the final declines began.

This phenomenon was first documented in December 1974 by our illustrious founder and resident sage, Yale Hirsch. In the January 1975 issue of this newsletter's predecessor dated December 11, 1974, this discovery enabled Yale to accurately forecast a 38.5% rise in the Dow from December 1974 closing low of 577.60 to 800. The headline read "Dow 800 By April 1975" – one of Yale's many bold, prescient and amazingly accurate forecasts. (FYI Yale is 91 today!)

Also astounding is how this pattern has recurred at practically every bear market bottom since. For this current study we have gone back a little further than Yale's original work and examined every bear market since. Two bear bottoms did not qualify as they did not meet our waterfall decline criteria and two were slightly off. The rest fit the bill to a tee.

DJIA Waterfall Declines Since 1950

Waterfall Decline		Bear Market		Length	DJIA	Return to Waterfall		
Start	DJIA	End	DJIA	Months	% Change	Date	Months	
25-Jul-57	516.69	22-Oct-57	419.79	3.0	– 18.8%	11-Aug-58	9.8	*Slightly longer rebound*
24-Aug-60	641.56	25-Oct-60	566.05	2.1	– 11.8%	27-Jan-61	3.1	
23-Apr-62	694.61	26-Jun-62	535.76	2.1	– 22.9%	18-Feb-63	7.9	
8-Jul-66	894.04	7-Oct-66	744.32	3.0	– 16.7%	27-Apr-67	6.7	
9-Apr-70	792.50	26-May-70	631.16	1.6	– 20.4%	30-Nov-70	6.3	
8-Sep-71	920.93	23-Nov-71	797.97	2.5	– 13.4%	10-Feb-72	2.6	
7-Aug-74	797.56	6-Dec-74	577.60	4.0	– 27.6%	14-Apr-75	4.3	
11-Nov-77	845.89	28-Feb-78	742.12	3.6	– 12.3%	15-May-78	2.5	
13-Feb-80	903.84	21-Apr-80	759.13	2.3	– 16.0%	14-Jul-80	2.8	
7-May-82	869.20	12-Aug-82	776.92	3.2	– 10.6%	20-Aug-82	0.3	*Small waterfall, fast rebound **
6-Jan-84	1286.64	22-Feb-84	1134.21	1.6	– 11.8%			*Sideways for five months from*
		24-Jul-84	1086.57			29-Jan-85	6.3	*waterfall to bear market bottom*
2-Oct-87	2640.99	19-Oct-87	1738.74	0.6	– 34.2%	31-Jul-89	21.7	*Short/steep waterfall, very long rebound **
17-Jul-90	2999.75	11-Oct-90	2365.10	2.9	– 21.2%	17-Apr-91	6.3	
17-Jul-98	9337.97	31-Aug-98	7539.07	1.5	– 19.3%	23-Nov-98	2.8	
19-Jul-01	10610.00	21-Sep-01	8235.81	2.1	– 22.4%	11-Mar-02	5.7	
22-Aug-02	9053.64	9-Oct-02	7286.27	1.6	– 19.5%	6-Jun-03	8.0	
2-Jan-09	9034.69	9-Mar-09	6547.05	2.2	– 27.5%	23-Jul-09	4.5	
21-Jul-11	12724.41	3-Oct-11	10655.30	2.5	– 16.3%	25-Jan-12	3.8	
** Not in averages.*			**Averages**	**2.4**	**– 18.6%**		**5.2**	

Exceptions to the Rule

The final drop to the 1982 bottom was not as severe as the others and ended the 16-year secular bear market that had ruled the market since 1966. Unemployment peaked at its post-WWII high of 10.8% and the snapback rally reclaimed the level of the final decline in eight days. The 1987 Crash, caused by a technical glitch at the New York Stock Exchange, created a 34.2% freefall in 17 days which took nearly 2 years to reclaim.

1957's nascent decline may have been exacerbated by the passage of the Civil Rights Act of 1957 and the related racial standoff in Arkansas. The rebound here took ten months, somewhat longer than the others. AT&T's breakup in January 1984 likely awoke the bear. The sideways action from February to the July 1984 bottom made this waterfall decline and rebound the exception. All of the remaining 13 bear-market-bottom final waterfall declines were triggered by an exogenous event or major financial/economic calamity.

Cuba, USSR, Vietnam & Watergate

Cold war machinations spooked the market in 1960 when the USSR shot down a U.S. U-2 spy plane in Soviet territory in May and Castro seized U.S. oil refineries in June-July, which led to the now 55-year old Cuban embargo. JFK's 1962 crack down on the steel industry in April sent Wall Street reeling. When the U.S. escalated military action in the Vietnam theater in 1966 by firing into Cambodia, bombing Hanoi and pumping up troop levels near half a million, the market blew up as well.

More trouble in Vietnam and swelling protests here in the States, culminating in the Kent State and Jackson State shootings, forced a bottom in May 1970. Nixon's halt on the convertibility of gold and the implementation of wage and price controls tipped the scales in 1971 and helped push the market lower. Nixon's resignation on August 9, 1974 set off the final plunge of the1973-74 bear. An increase in Social Security taxes and minimum wage hike in late 1977 helped facilitate the last gasp of the 1976-78 bear.

With inflation sky-high in January 1980, President Carter imposed economic sanctions on the USSR in retaliation for the Soviet invasion of Afghanistan.

The February 1980 attempt by the Hunt brothers to corner the silver market sent the stock market over the edge and then President Carter forced the U.S. boycott of the Moscow Summer Olympics in April.

Iraq, Long Term Capital, 9/11, Subprime Crisis & Debt Ceiling Debacle

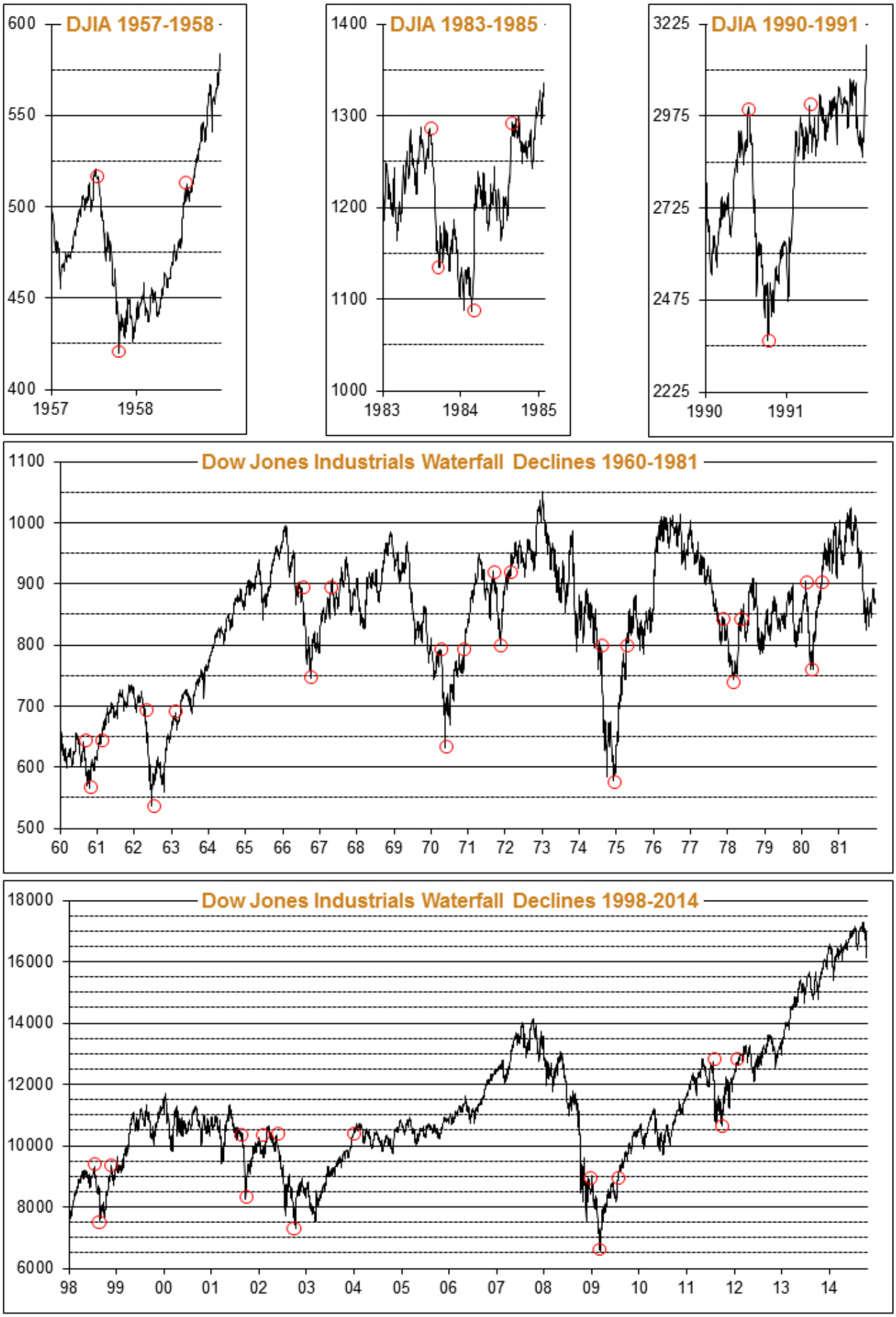
With the junk bond debacle, the S&L crisis and the breakup of the Soviet Union in full swing, Iraq's August 1990 invasion of Kuwait knocked the market into a tailspin. Over the backdrop of the Clinton-Lewinsky affair and President Clinton's impeachment, a global financial crisis in the summer of 1998 forced the Russian ruble to collapse and noted hedge fund Long Term Capital to fail; creating the shortest bear market on record.

With the market on shaky ground in the summer of 2001, the terrorist attacks on September 11 closed the market for four days. When it reopened the following Monday, the Dow suffered its worst weekly loss since 1940. In 2002 corporate malfeasance, trouble in Afghanistan and Iraq War drums had stocks on the ropes. WorldCom failed in July and President Bush addressed the U.N. on the "grave and gathering danger" in Iraq in September.

In 2008 the subprime mortgage fiasco had completely morphed into a global financial crisis, the likes of which we have not experienced for decades and fear of depression loomed. Lehman was allowed to go belly up on September 15 after the government took over Fannie and Freddie and orchestrated the rescue of several large financial institutions and subsequent bailout of others.

Finally, on October 1, the U.S. Senate passed the $700 billion bailout bill. The Dow proceeded to plunge, falling for the first eight trading days of October in a row, suffering its worst weekly loss ever. DJIA initially hit bottom on November 20 at 7552.29 and rallied to close out 2008 but suffered a second waterfall decline before finally reaching bottom on March 9, 2009 at 6547.05.

In 2011 the European Union was mired in a sovereign debt crisis while here in the states, Congress was deadlocked and initially unable to come to terms over raising the U.S. debt limit. The U.S. lost its AAA credit rating, consumer and investor confidence fell and DJIA dropped 16.3% in 2.5 months from July to October.



Similarities between Now & Then

This research does not completely apply to recent trading, but there is enough in common to make it relevant and helps explain why a v-shaped bottom has happened. Prior to DJIA's recent correction, sentiment was running at multi-year, if not multi-decade highs. Nearly everyone was outright bullish and only a few bears existed. But during the correction, sentiment quickly changed. The number of bulls quickly shrank while numbers in the correction and bear camps swelled.

Key support levels were breached as DJIA, S&P 500 and NASDAQ all fell deeply below their respective 200-day moving averages. This had not occurred since November 2012. And when looking at the Russell 2000, it was much worse for small-caps. The catalyst for the decline even fits within the waterfall decline definition, the confluence of Ebola outbreak fears, political protests in Hong Kong, Russia/Ukraine political military maneuvering, the battle with the Islamic State, sharply slowing global growth concerns and sharply rising sovereign debt interest rates in select European countries.

So although there is no bear market in progress and major indices outside of the Russell 2000 did not decline more than 12%, the recent correction was of significant magnitude and took place quick enough to sharply sway sentiment and convey the sense of "blood on the street." And when Ebola, Europe, growth and ISIS did not cause the end of the world, buyers quickly returned to the market. This is exactly what creates a v-shaped bottom and only further strengthens our bullish outlook for the market to return to new highs by yearend.

Markets Find Support and Bounce Right Back

By Christopher Mistal & Jeffrey A. Hirsch

The Seasonal MACD Buy Signals for DJIA, S&P 500, and NASDAQ triggered on the close today. With all three indices confirming, *we are now issuing our Seasonal MACD Buy Signal*. The "Best Six/Eight Months" have officially commenced. At this time, consider selling any remaining defensive positions that were purchased at the start of the "Worst Six Months" ("Worst Four" for NASDAQ) and establish or add to existing long positions in **SPDR DJIA** (DIA), **SPDR S&P 500** (SPY), **PowerShares QQQ** (QQQ), and **iShares Russell 2000** (IWM).

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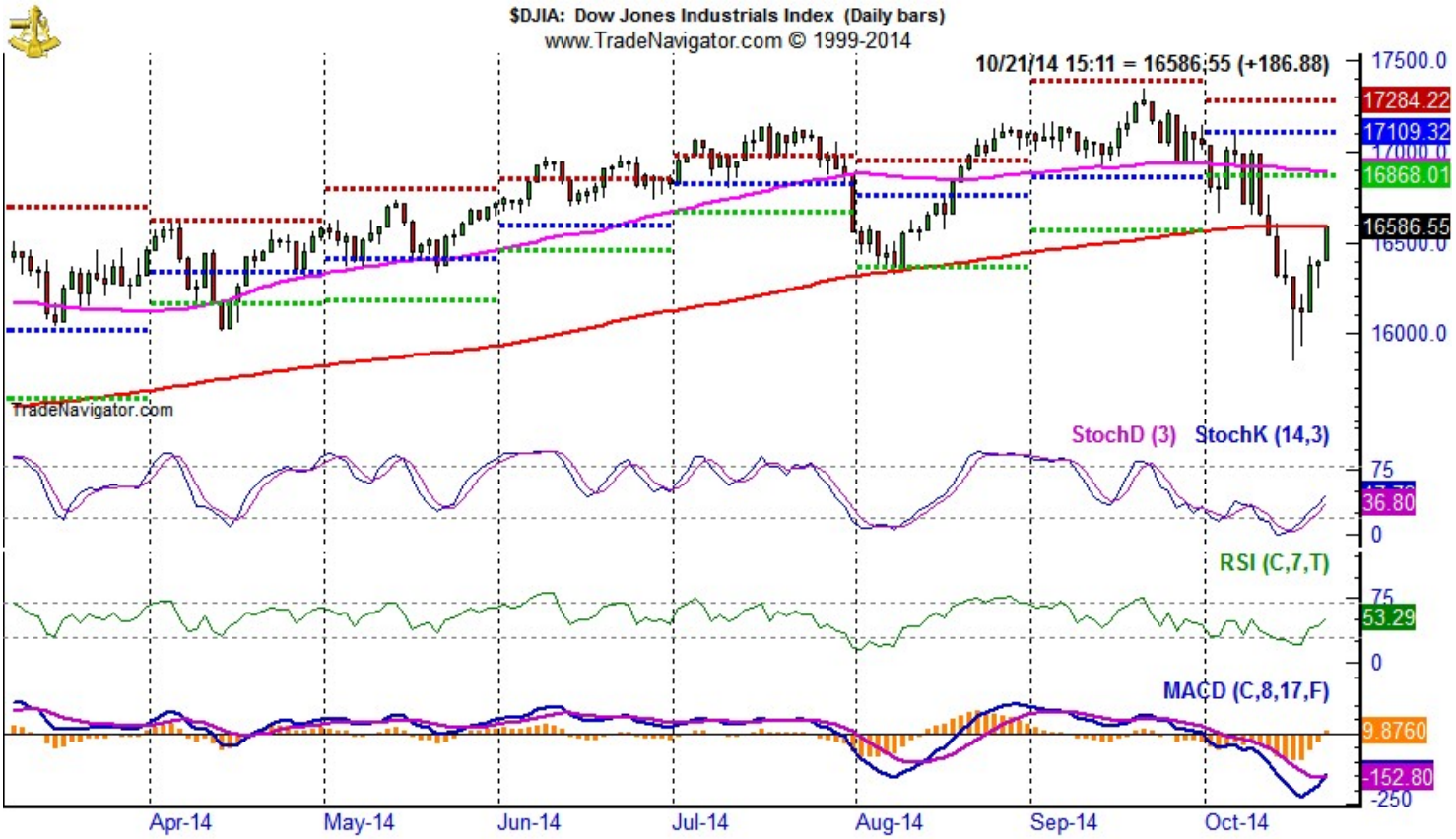

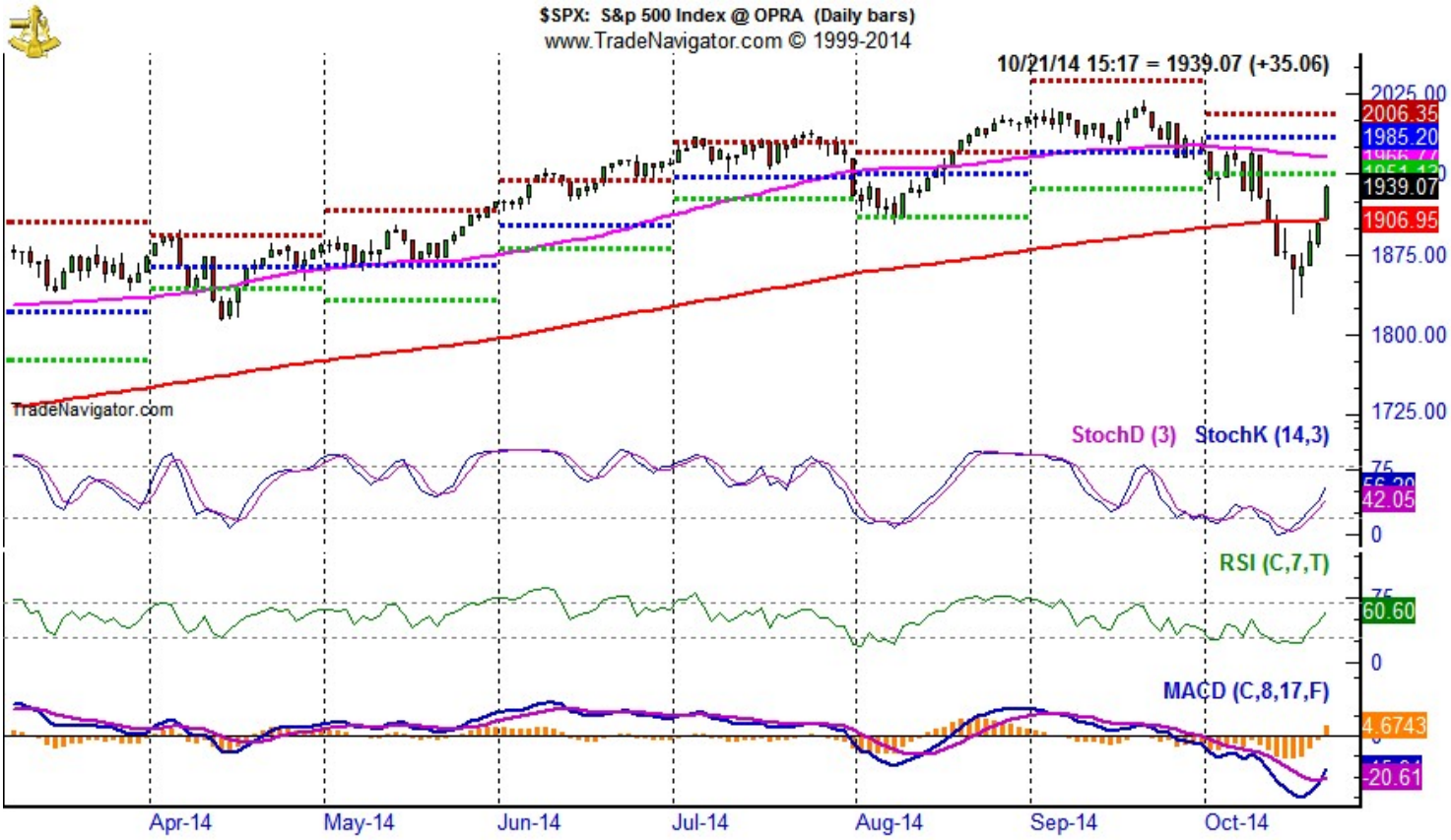

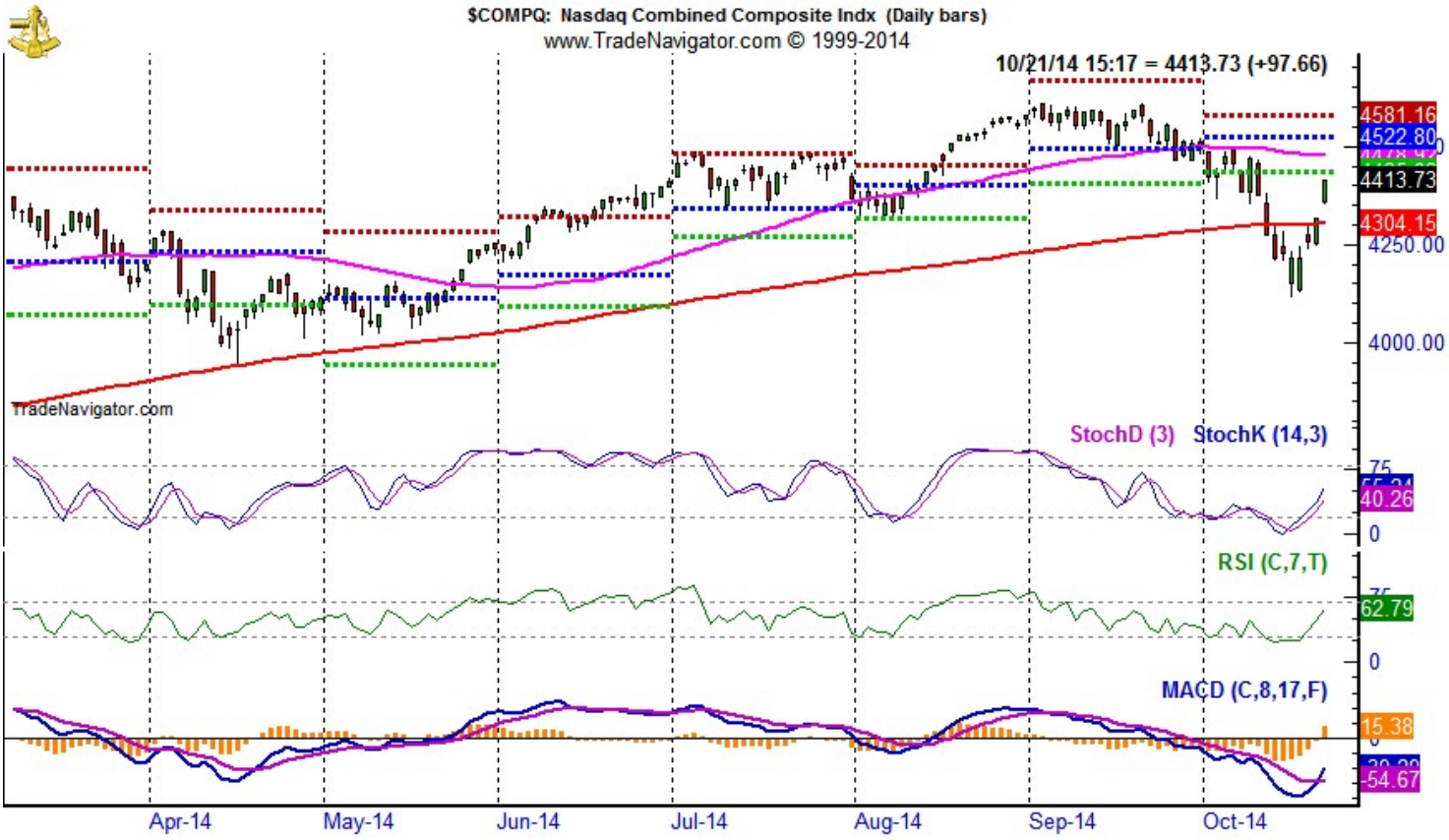

In anticipation of today's official Seasonal Buy and with the expectation that the market would find support around either its 200-day moving average or its early August lows, DIA, SPY, QQQ and IWM already appear in the portfolio below. The market pullback was correctly predicted; however the magnitude of it was not, resulting in the early purchase of these positions. At yesterday's close they were down an average of 2.8% and this loss has shrunk even further with today's advance. For tracking purposes, we will officially add to these existing positions using today's closing prices.

With the exceptions of DBA (on hold), UNG, JO (both stopped out), SCO (sell) and FXB (hold) the balance of the ETF Portfolio could be purchased at current levels or on dips. Updated buy limits appear in the updated portfolio below. They were based upon Monday's closing prices and may be lower than today's closing price. Should this be the case, waiting to buy on a dip is advised. **iShares PHLX Semiconductor** (SOXX) was stopped out on October 10. A new position in SOXX will be established today in the portfolio using today's closing price.

ProShares UltraShort Bloomberg Crude (SCO) should be sold and will be closed out of the ETF portfolio using today's closing price. Crude oil's rout is likely over or close to it. Crude's current price has fallen to or below production cost for many producers and could discourage future exploration and

drilling investment which could result in constraining supply and support for current prices.

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Almanac Investor ETF Portfolio

Ticker	Exchange Traded Fund	Presented Date	Presented Price	10/20/2014 Price	10/20/2014 Return	Buy Limit [1]	Stop Loss [1]	Auto Sell*	Current Advice [1]
DBA	PowerShares DB Agriculture	6/10/14	27.47	25.87	-5.8%		24.75		Hold
FDN	First Trust DJ Internet	7/8/14	61.55	57.28	-6.9%	58.50	55.53	87.07	Buy Current
IHI	iShares DJ US Medical Devices	7/8/14	101.40	100.00	-1.4%	101.40	92.91	123.47	Buy Current
IYW	iShares DJ US Tech	7/8/14	100.90	95.16	-5.7%	96.75	91.86	131.63	Buy Current
IBB	iShares NASDAQ Biotech	7/8/14	267.03	269.59	1.0%	269.00	244.55	378.62	Buy Dips
UNG	United States Natural Gas	7/10/14	22.15	19.72	-7.9%				Stopped out 10/17 @ 20.40
XLP	SPDR Consumer Staples	8/7/14	44.96	45.27	0.7%	45.20	41.05	54.60	Buy Dips
XRT	SPDR Retail	8/7/14	87.98	84.32	-4.2%	85.75	80.15	106.84	Buy Current
JO	iPath DJ-UBS Coffee TR Sub-Idx ETN	8/12/14	35.60	37.39	6.7%				Stopped Out 10/20 @ 37.99
IYT	iShares DJ Transports	9/4/14	148.48	147.29	-0.8%	148.50	134.67	194.03	Buy Current
IYZ	iShares DJ US Telecom	9/4/14	30.37	28.93	-4.7%	29.25	27.48	36.35	Buy Current
SOXX	iShares PHLX Semiconductor	9/4/14	85.90	79.41	-10.0%				Stopped Out 10/10 @ 77.31
XLF	SPDR Financial	9/4/14	23.05	22.45	-2.6%	22.80	20.89	29.61	Buy Current
XLV	SPDR Healthcare	9/4/14	62.58	61.91	-1.1%	62.50	57.70	75.93	Buy Current
XLI	SPDR Industrial	9/4/14	53.30	51.63	-3.1%	52.70	47.97	70.12	Buy Current
XLB	SPDR Materials	9/4/14	49.92	47.33	-5.2%	48.25	45.05	63.53	Buy Current
XLK	SPDR Technology	9/4/14	39.77	37.92	-4.7%	38.50	35.79	49.96	Buy Current
VNQ	Vanguard REIT	9/4/14	76.39	75.81	-0.8%	76.15	68.75	95.79	Buy Current
SCO	ProShares UltraShort Bloomberg Crude	9/9/14	29.07	37.12	27.7%		30.98		**Sell**
FXB	CurrencyShares British Pound	9/9/14	158.53	158.96	0.3%		155.50		Hold
DIA	SPDR DJIA	9/18/14	168.45	163.65	-2.8%	165.20	152.61		Buy Current
IWM	iShares Russell 2000	9/18/14	112.05	108.74	-3.0%	110.00	100.85		Buy Current
QQQ	PowerShares QQQ	9/18/14	97.90	94.39	-3.6%	96.50	88.16		Buy Current
SPY	SPDR S&P 500	9/18/14	194.01	190.30	-1.9%	193.30	176.66		Buy Current
FXE	CurrencyShares Euro	10/9/14	124.00	126.16	Not yet	124.00	119.50		Buy Dips
SOXX	iShares PHLX Semiconductor	10/21/14	81.50	79.41	New	81.50	73.35	102.38	Buy Dips
		Open Position Average % Return			**-1.4%**				
		Average Total % Return			**2.5%**				

[1] STANDARD POLICY: SELL HALF ON A DOUBLE, Buy Limits good til cancel, Stop only if closed below Stop Loss,
*Current Advice is based upon closing prices as they appear in table. *Auto Sell price based upon historical sector returns plus 10%.*

Disclosure Note: At press time, officers of the Hirsch Organization, or accounts they control held positions in IBB, IWM, IYT, QQQ, SPY, UNG, VNQ, XLF, XLI and XLV.

Stock Portfolio Updates

Since last update in mid-September S&P 500 fell 4.5% through yesterday's close. Russell 2000 shed 3.0% over the same period while collectively the three *Almanac Investor* Portfolios gained a modest 0.04%. Our Mid-Cap portfolio was the biggest loser on a percentage basis, off 5.0% over the past four weeks. The Small-Cap portfolio performed best, advancing 2.6%. Recent addition, **Alpha Pro Tech** (APT) accounted for the bulk of the portfolio's gains as fear of an Ebola outbreak on U.S. soil sent shares soaring from near $3 to over $10 in just a few trading sessions. Per standard trading guidelines, half of APT was sold on October 10 when it traded above $5.10. The remaining shares are on hold.

Due to the markets late-September to mid-October slide, numerous positions were stopped out across the Stock portfolios. PKOH, MTRX and NHTC were stopped out of the Small-Cap portfolio. CAR, SXL, IM, TAL, JBLU, and LAD were also stopped out of the Mid-Cap portfolio and ALV, HP, LEA and STLD from the Large-Cap portfolio. However, weakness also afforded the opportunity to add IIIN, UAL and UNH at attractive levels.

In light of the issuance of our Seasonal MACD Buy signal today we will look to reenter some of the strongest positions that were recently stopped out. PKOH, JBLU, LAD, CAR, SXL and STLD could be bought at or near current levels. Updated buy limits and stop losses appear in the table below for these positions. Due to length of holding time and gains, CAR and SXL now appear in the Large-Cap portfolio. Numerous other positions across the Stock portfolios could also be considered at or near current levels. See "Current Advice" column below for specific stock information. Please note that listed buy limits are calculated the same as in the ETF Portfolio above and could be lower than today's prices. Should this apply, waiting to buy on a dip is advised.

The "Best Six/Eight Months" and the sweet spot of the four-year cycle are officially underway. Historically speaking, we can expect a solid market advance between now and sometime in the second quarter of 2015. However, as we have witnessed in recent weeks the market is still susceptible to brisk declines. Global growth is still rather tepid and Europe is still struggling with excessive debt and deflation. Asian economies have their fair share of troubles and the geopolitical arena is far from sanguine with continued unrest in Ukraine and across many parts of the Middle East.

Although much of this has yet to present itself in U.S. economic data and corporate earnings, it could. But the Fed has already acknowledged many of these concerns and issues and expressed a willingness to maintain interest rates at present levels if needed, the prospects for a major meltdown sometime during the next six months remain low.

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Almanac Investor Small-Cap Stock Portfolio

Ticker	Company	Presented Date	Presented Price	10/20/2014 Price	10/20/2014 Value ***	Net % Return ***	Buy Limit [1]	Stop Loss [1]	Current Advice [1]
NEWT	Newtek Bus Svcs	10/18/12	2.02	2.75	$1,361.39	36.1%		2.38	Hold
RGEN	Repligen [2]	10/18/12	5.56	22.75	$2,045.86	204.6%		17.83	Hold
CBM	Cambrex Corp	7/16/13	14.25	17.74	$1,244.91	24.5%	17.75	16.87	Buy Current
OMCL	Omnicell	7/16/13	23.50	27.37	$2,329.36	16.5%	27.75	22.39	Buy Current
IMOS	Chipmos Technologies	10/17/13	17.10	19.92	$2,329.82	16.5%		19.06	Hold
HA	Hawaiian Holdings [2]	10/17/13	8.02	14.50	$1,807.98	90.4%		11.18	Hold
PKOH	Park-Ohio Holdings	10/17/13	39.85	47.96	Closed	16.6%			Stopped Out 10/7 @ 46.45
WNC	Wabash National	10/17/13	12.19	11.94	$1,958.98	-2.1%	12.30	11.24	Buy Current
APT	Alpha Pro Tech [2]	8/19/14	2.55	4.43	$1,737.25	86.9%		3.41	Hold, Sold half @ 5.10 on 10/10
BELFB	Bel Fuse Inc-B	8/19/14	22.10	24.74	Not Yet		22.10	17.02	Buy Dips
IIIN	Insteel Inds	8/19/14	21.15	20.65	$1,952.72	-2.4%	21.15	16.29	Buy Current, Added 9/25 @ 21.15
LDL	Lydall Inc	8/19/14	27.90	27.37	$1,962.01	-1.9%	28.25	22.70	Buy Current
MTRX	Matrix Service	8/19/14	28.90	22.62	Closed	-23.0%			Stopped Out 10/10 @ 22.25
NHTC	Natural Hlth Tr	8/19/14	11.01	8.90	Closed	0.4%			Stopped Out 10/2 @ 11.05
SXI	Standex Intl Co	8/19/14	71.30	74.99	$2,103.51	5.2%	76.10	57.74	Buy Current
PKOH	Park-Ohio Holdings	10/21/14	49.20	47.96	New	16.6%	49.20	37.88	Buy Current

Cash From Half & Closed Positions	$51,845.89
Total Portfolio Value	$72,679.69
Open Position Average % Return	43.1%
% Change from 9/22/2014	2.6%
% Change 1-Year	3.4%
Portfolio % Gain Since 10/18/2012	23.8%

Almanac Investor Mid-Cap Stock Portfolio

Ticker	Company	Presented Date	Presented Price	10/20/2014 Price	10/20/2014 Value ***	Net % Return ***	Buy Limit [1]	Stop Loss [1]	Current Advice [1]
CAR	Avis Budget Grp [2]	10/18/12	17.40	51.92	Closed	164.5%			Stopped Out 9/30 @ 57.25
SXL	Sunoco Logistic *	10/18/12	24.90	45.49	Closed	62.3%			Stopped Out 10/14 @ 40.40
UHAL	Amerco Inc	10/17/13	197.81	252.87	$2,556.70	27.8%		237.38	Hold
IM	Ingram Micro	10/17/13	23.88	23.71	Closed	6.7%			Stopped Out 10/1 @ 25.47
GPI	Group 1 Automotive	2/20/14	62.71	74.63	$2,380.16	19.0%		67.99	Hold
TAL	TAL Intl Grp	2/20/14	43.19	41.14	Closed	-12.0%			Stopped Out 10/9 @ 38.00
JBLU	Jetblue Airways	8/19/14	12.25	11.23	Closed	-17.0%			Stopped Out 10/10 @ 10.17
LAD	Lithia Motors	8/19/14	88.45	70.21	Closed	-17.0%			Stopped Out 10/13 @ 73.41
JBLU	Jetblue Airways	10/21/14	11.70	11.23	New		11.23	9.71	Buy Current
LAD	Lithia Motors	10/21/14	71.00	70.21	New		70.21	58.93	Buy Current

Cash From Half & Closed Positions	$18,063.14
Total Portfolio Value	$23,000.00
Open Position Average % Return	23.4%
% Change from 9/22/2014	-5.0%
% Change 1-Year	4.4%
Portfolio % Gain Since 10/18/2012	21.1%

Almanac Investor Large-Cap Stock Portfolio

Ticker	Company	Presented Date	Presented Price	10/20/2014 Price	10/20/2014 Value ***	Net % Return ***	Buy Limit [1]	Stop Loss [1]	Current Advice [1]
ALL	Allstate Corp	10/18/12	42.62	60.85	$1,427.73	42.8%		54.42	Hold
ALV	Autoliv	8/20/13	80.05	91.96	Closed	12.1%			Stopped Out 10/10 @ 89.74
GIL	Gildan Activewear	8/20/13	44.75	55.66	$1,243.80	24.4%		50.69	Hold
FNF	Fidelity National Finance *	10/17/13	20.87	28.30	$2,120.64	32.9%		24.06	Hold
HP	Helmerich & Payne	10/17/13	75.84	87.47	Closed	28.3%			Stopped Out 10/1 @ 97.33
LEA	Lear Corporatn	10/17/13	74.47	82.79	Closed	13.1%			Stopped Out 10/10 @ 84.25
SCCO	Southern Copper	12/10/13	25.20	29.13	$2,311.90	15.6%		27.57	Hold
IEP	Icahn Enterpris	8/19/14	107.10	98.36	$1,836.79	-8.2%	102.00	91.04	Buy Current, Added 9/23 @ 107.10
KR	Kroger Co	8/19/14	49.59	52.85	Not Yet		49.59	42.15	Buy Dips
PII	Polaris Indus	8/19/14	149.67	144.83	$1,935.32	-3.2%	147.50	127.22	Buy Current
STLD	Steel Dynamics	8/19/14	22.95	21.10	Closed	-11.2%			Stopped Out 10/10 @ 20.37
UAL	United Cont Hld	8/19/14	44.09	47.29	$2,145.16	7.3%	44.09	40.20	Hold, Added 10/8 @ 44.09
UNH	Unitedhealth Gp	8/19/14	82.04	88.54	$2,158.46	7.9%	82.04	75.26	Hold, Added 10/15 @ 82.04
CAR	Avis Budget Grp [2]	10/21/14	53.75	51.92	New		51.92	45.69	Buy Current
SXL	Sunoco Logistic *	10/21/14	46.50	45.49	New		45.49	39.53	Buy Current
STLD	Steel Dynamics	10/21/14	22.95	21.10	New		22.00	19.51	Buy Current

Cash From Half & Closed Positions	-$1,527.38
Total Portfolio Value	$13,652.44
Open Position Average % Return	18.2%
% Change from 9/22/2014	-4.1%
% Change 1-Year	17.3%
Portfolio % Gain Since 10/18/2012	24.1%

Almanac Investor Stock Portfolios Since Inception — July 2001 Through October 20, 2014

Cash From Half & Closed Positions	$68,381.66
Total Portfolio Value	$109,332.13
Open Position Average % Return	29.6%
% Change from 9/22/2014	0.04%
% Change 1-Year	5.2%
Portfolio % Gain Since Inception - July 2001	397.0%

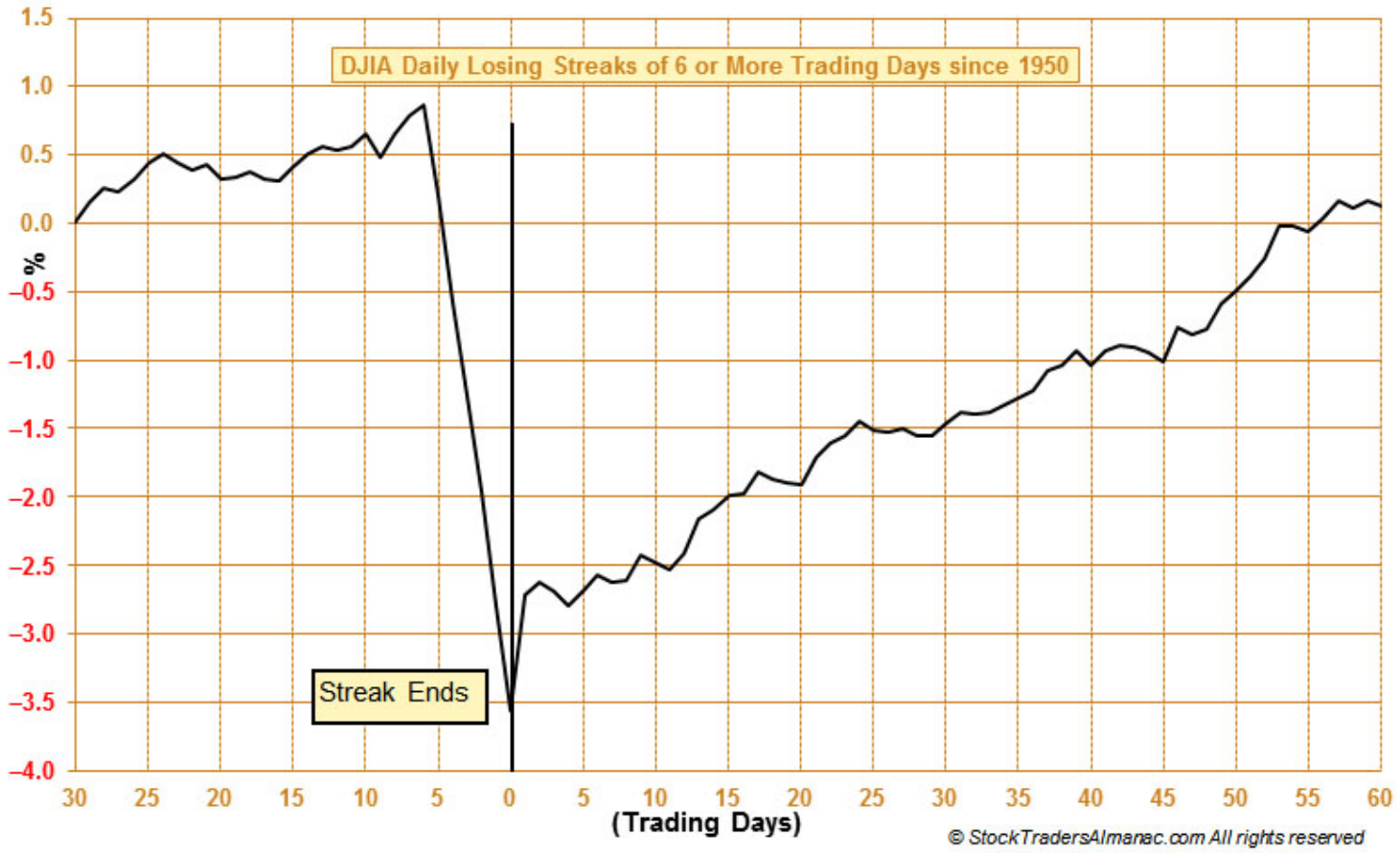
[1] STANDARD POLICY: SELL HALF ON A DOUBLE, Buy Limits good til cancel, Stop only if closed below Stop Loss
*[2] Half position, * Adjusted, ** Canadian Dollars, (S) = Short Trade*
**** Based on $1000 or $2000 initial investment in each stock, Net % Return includes half & closed positions, Value is open position value*

Disclosure Note: At press time, officers of the Hirsch Organization, or the accounts they control, held positions in BELFB, IEP, IIIN, JBLU, KR, LAD, LDL, MTRX, PII, SXI, UAL and UNH.

Cooling Off, Not Collapsing

By Christopher Mistal

As trading commenced this morning it looked all but certain that DJIA was headed towards its sixth consecutive down day. Although DJIA did briefly turn positive early afternoon, that is not where it ended the day. Streaks of this magnitude or longer are not all that rare, with 109 in total going back to 1950. Sixty-three (57.7%) of the losing streaks ended on the sixth down day, 25 (22.9%) ended at seven, 14 (12.8%) at eight, 2 (1.8%) at nine, 1 (0.9%) at ten, 3 (2.8%) at eleven and the single longest ended at twelve days on January 24, 1968. The average loss incurred in all 109 streaks was 4.9% from start to finish with 6-Day losing streaks shedding slightly less at 4.0%. DJIA's current losing streak is right around 5% since it commenced on October 9.



In the above chart, the 30 days prior to and 60 days after the end of the past 109 six-day or longer DJIA losing streaks have been combined into a single chart. The abruptness of the decline is clear and closely resembles what has transpired during DJIA's current streak. Historically streaks tended to end with a nice bounce, but on average, DJIA was still lower 60 trading days later than it was before the losing streak began. That being said, the end of the losing streak also tended to mark a turn in market direction.

Take a Deep Breath

Let's take a moment and put the market's current trading action into perspective. Earlier this year bullish sentiment reached levels not seen in years or even decades depending upon data source. Market volatility had also fallen to levels not seen in years as the market was steadily making new all-times highs. S&P 500 actually went 63 trading days without a 1% percent daily move higher or lower. A feat last accomplished in 1995. And it has been more than three years without a 10% or greater S&P 500 correction. This is four times the average duration of time between corrections. Not to mention the market shrugged off tensions in Ukraine, Ebola in West Africa, the rise of ISIS in the Middle East, slowing global growth concerns and the Fed slowly easing up on stimulus. Honestly the market had gotten ahead of itself and was in need of a cool-off period. More likely than not, that is what it is doing.

Yes, weak economic data out of Asia and Europe is a concern as they are major U.S. trading partners, but that weakness has not yet materialized in U.S. manufacturing reports. Just today Industrial Production was reported to have climbed 1% in September. This was better than twice the consensus estimate of 0.4%. This report was further supported by the Philadelphia Fed manufacturing index climbing to 20.7, again besting expectations. Furthermore, weekly initial jobless claims fell to 264,000 last week, the lowest reading since 2000. If business activity was slowing due to weakness overseas, it would stand to reason that weekly claims would be rising, not falling as employers began cutting employees.

Ebola is also an issue, but honestly it feels as if the media is causing more harm than good. Not so many weeks ago it was ISIS or ISIL that was going to destroy the world, now it is Ebola. The reality is the "outbreak" that they constantly speak of is three patients in the U.S. Unfortunately the medical community was not as prepared as they thought they were. Their initial mistakes and miscues have prompted action and it now appears they are getting better organized to deal with any future patients. A full-blown global pandemic just does not seem all that probable.

Perhaps more than any other issue or concern out there, European markets appear disappointed that the ECB has not done more and in turn Asian and U.S. markets are suffering. Honestly, it is somewhat puzzling that the ECB has not moved from merely words to a more decisive plan of taking action. The region is on the verge of its third recession in six years and deflation is refusing to abate. Sovereign debt levels maybe high now, but deflation and a lack of growth are not going to help this situation at all. Should the ECB step up, the current market rout could end just as quickly as it started.

For the time being, we will remain calm, but vigilant with our Stock and ETF Portfolios. We were early to start buying, but we did not buy at the recent top. So while the major indices are down 6-10% from their respective highs, many of our recent stock and ETF trade ideas are faring much better.

Octoberphobia Strikes Again

By Christopher Mistal

Just ten days into October and the month is certainly living up to its scary reputation. Last week, the first full week of trading in the month saw DJIA fall 2.7%, S&P 500 3.1% and NASDAQ 4.5%. And at the close yesterday, S&P 500 closed below its 200-day moving average for the first time since November 16, 2012 and DJIA suffered its first Down Friday/Down Monday (DF/DM) since April 7 of this year. Typically both of these events tend to be negative in the near-term.

But for all the volatility and daily declines that have occurred since the market last traded at new highs in mid-September, S&P 500 was down just 6.8% from that all-time high at yesterday's close extending its current streak without a 10% correction to 1107 calendar days. Based upon the average duration of time between past S&P 500 corrections in bull markets since 1949, a correction is long overdue. However, as you can see in the updated table below, the current S&P 500 streak without a correction is still well short of the 2553 days it went from October 1990 to October 1997.

In the following table, each bull market has been broken down and includes the corrections (defined as a market decline of 10% to 19.9%) that occurred within it. The bull markets beginning and end dates and closing prices are included and are used to calculate the "Days Between Corrections." In each row labeled "Bull End," that bull market's duration and gain is calculated. Past corrections that did not manifest into full-blown bear markets lasted an average of 135 calendar days and S&P shed 14.2%. If the current bull market did end on September 18, (most likely not) its 197.3% gain in 2019 calendar days is above average.

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S&P 500 10% Corrections During Bull Markets Since 1949							
	Correction Start		Correction End				Days Between
	Date	Close	Date	Close	% Loss	Length	Corrections
Bull Start	6/13/1949	13.55					
	6/12/1950	19.40	7/17/1950	16.68	–14.0%	35	364
	1/5/1953	26.66	9/14/1953	22.71	–14.8%	252	903
	9/23/1955	45.63	10/11/1955	40.80	–10.6%	18	739
		Bull End	8/2/1956	49.74	267.1%	2607	296
Bull Start	10/22/1957	38.98					
	8/3/1959	60.71	10/25/1960	52.30	–13.9%	449	650
		Bull End	12/12/1961	72.64	86.4%	1512	413
Bull Start	6/26/1962	52.32					
	8/22/1962	59.78	10/23/1962	53.49	–10.5%	62	57
		Bull End	2/9/1966	94.06	79.8%	1324	1205
Bull Start	10/7/1966	73.20					
	9/25/1967	97.59	3/5/1968	87.72	–10.1%	162	353
	Bull End		11/29/1968	108.37	48.0%	784	269
Bull Start	5/26/1970	69.29					
	4/28/1971	104.77	11/23/1971	90.16	–13.9%	209	337
		Bull End	1/11/1973	120.24	73.5%	961	415
Bull Start	10/3/1974	62.28					
	11/7/1974	75.21	12/6/1974	65.01	–13.6%	29	35
	7/15/1975	95.61	9/16/1975	82.09	–14.1%	63	221
	9/21/1976	107.83	3/6/1978	86.90	–19.4%	531	371
	9/12/1978	106.99	11/14/1978	92.49	–13.6%	63	190
	10/5/1979	111.27	11/7/1979	99.87	–10.2%	33	325
	2/13/1980	118.44	3/27/1980	98.22	–17.1%	43	98
		Bull End	11/28/1980	140.52	125.6%	2248	246
Bull Start	8/12/1982	102.42					
	10/10/1983	172.65	7/24/1984	147.82	–14.4%	288	424
		Bull End	8/25/1987	336.77	228.8%	1839	1127
Bull Start	12/4/1987	223.92					
	10/9/1989	359.80	1/30/1990	322.98	–10.2%	113	675
	7/16/1990	368.95	10/11/1990	295.46	–19.9%	87	167
	10/7/1997	983.12	10/27/1997	876.99	–10.8%	20	2553
	7/17/1998	1186.75	10/8/1998	959.44	–19.2%	83	263
	7/16/1999	1418.78	10/15/1999	1247.41	–12.1%	91	281
		Bull End	3/24/2000	1527.46	582.1%	4494	161
Bull Start	9/21/2001	965.80					
No Correction							
		Bull End	1/4/2002	1172.51	21.4%	105	105
Bull Start	10/9/2002	776.76					
	11/27/2002	938.87	3/11/2003	800.73	–14.7%	104	49
		Bull End	10/9/2007	1565.15	101.5%	1826	1673
Bull Start	3/9/2009	676.53					
	4/23/2010	1217.28	7/2/2010	1022.58	–16.0%	70	410
	4/29/2011	1363.61	10/3/2011	1099.23	–19.4%	157	301
		Bull End*	*9/18/2014*	*2011.36*	*197.3%*	*2019*	*1107*
			Bull Market Avg:	**161.4%**	**1770**		
			Correction Avg:	**–14.2%**	**135**		
			Average # Days Between Corrections:				**509**
			# Days Between Corrections Ex. End:				**444**

** As of 10/14/2014*

Looking for Signs of a Bottom

Last week we were anticipating that the market would find support somewhere around its 200-day moving average or its early August lows. Although DJIA, S&P 500 and NASDAQ are currently trading below those levels, they are not substantially lower. During this brisk move down stochastic, MACD and relative strength indicators applies to DJIA, S&P 500 and NASDAQ have moved into oversold territory.

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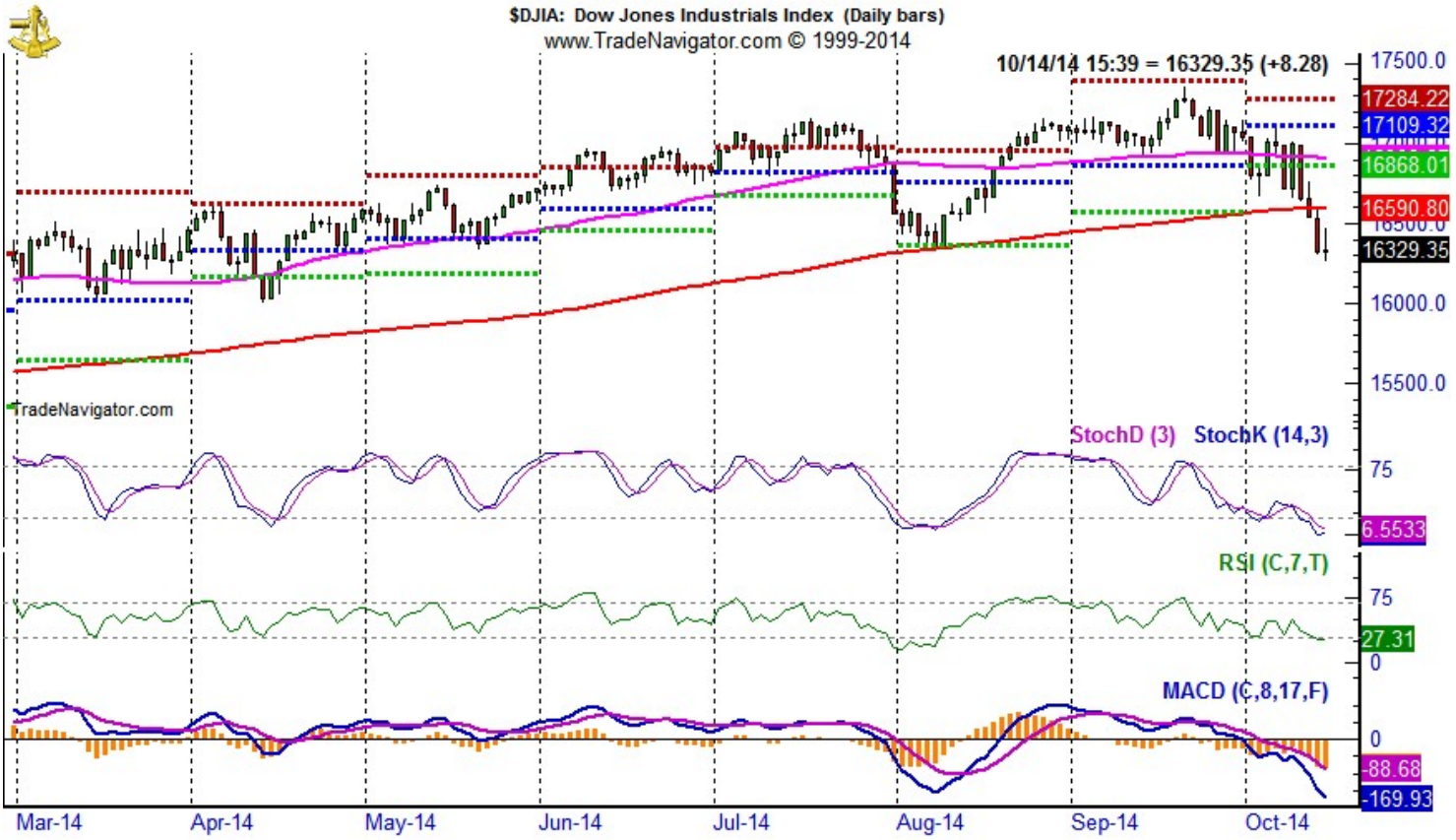
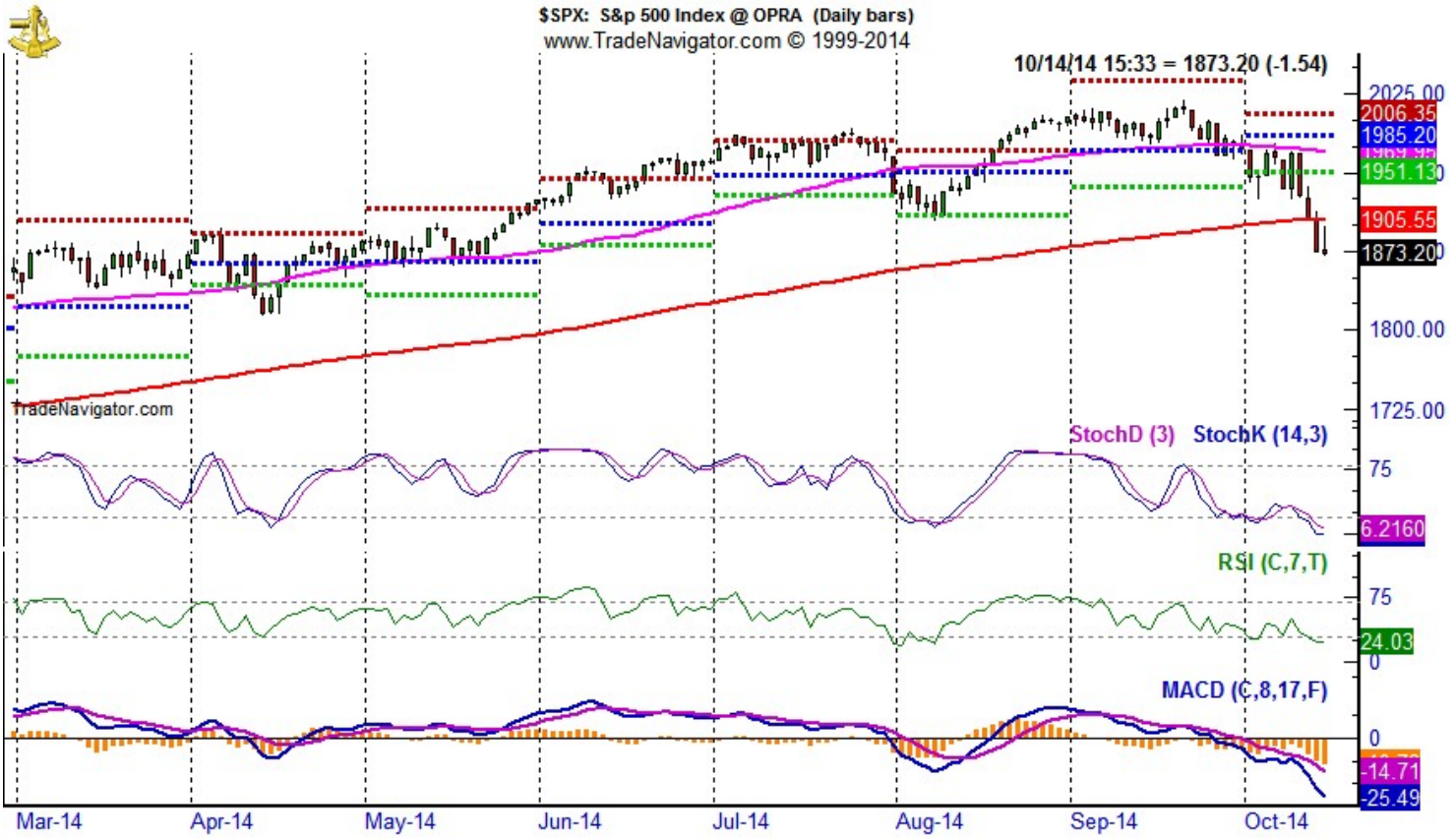
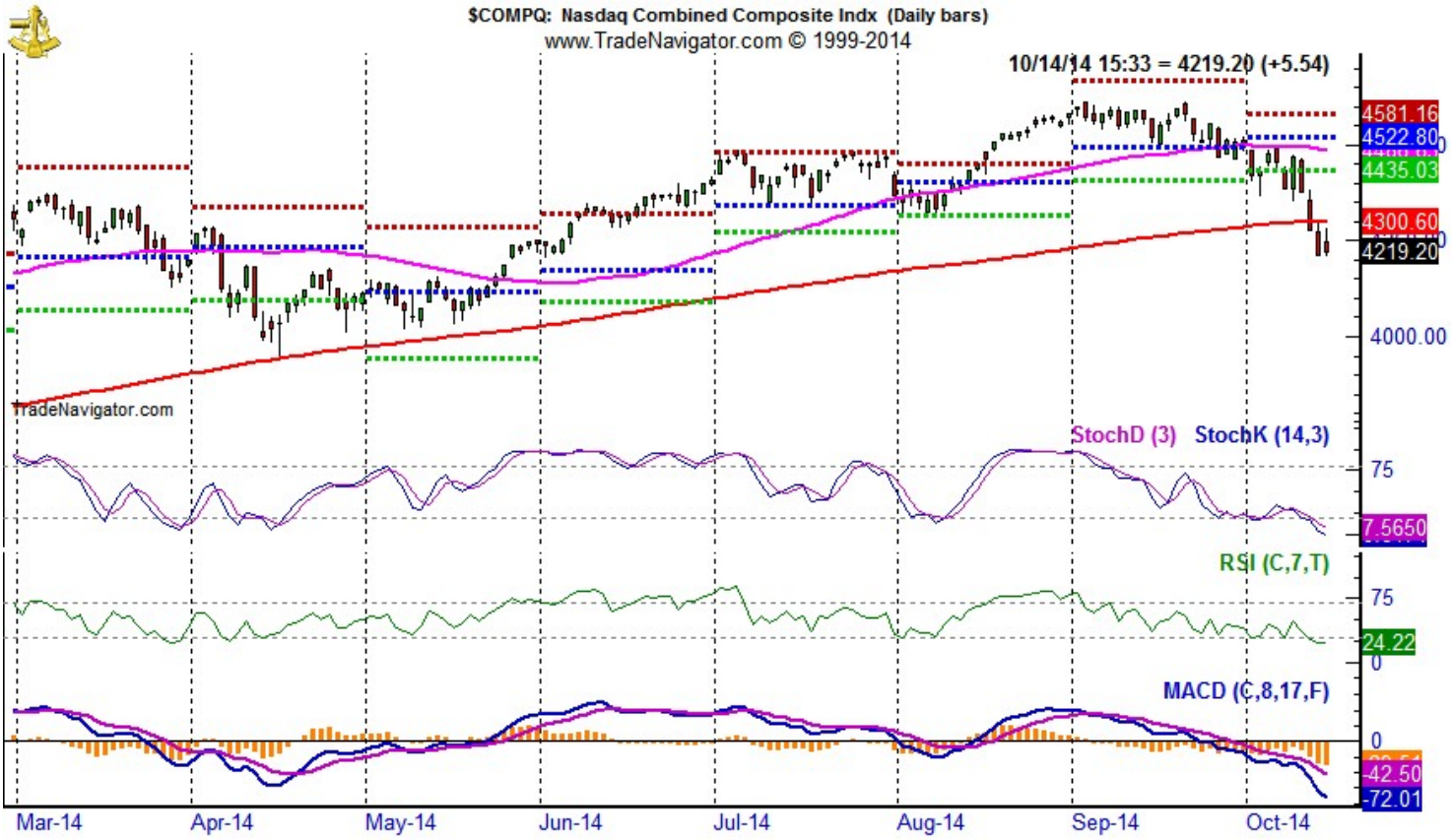

$DJIA: Dow Jones Industrials Index (Daily bars)
www.TradeNavigator.com © 1999-2014
10/14/14 15:39 = 16329.35 (+8.28)
17500.0
17284.22
17109.32
16868.01
16590.80
16329.35
16000.0
15500.0
TradeNavigator.com
StochD (3) StochK (14,3)
75
6.5533
RSI (C,7,T)
75
27.31
0
MACD (C,8,17,F)
0
-88.68
-169.93
Mar-14
Apr-14
May-14
Jun-14
Jul-14
Aug-14
Sep-14
Oct-14


$SPX: S&p 500 Index @ OPRA (Daily bars)
www.TradeNavigator.com © 1999-2014
10/14/14 15:33 = 1873.20 (-1.54)
2025.00
2006.35
1985.20
1951.13
1905.55
1873.20
1800.00
1725.00
TradeNavigator.com
StochD (3) StochK (14,3)
75
6.2160
RSI (C,7,T)
75
24.03
0
MACD (C,8,17,F)
0
-14.71
-25.49
Mar-14
Apr-14
May-14
Jun-14
Jul-14
Aug-14
Sep-14
Oct-14



As of last week DJIA (1), S&P 500 (2) and NASDAQ (3) were down in four of the last five weeks and three straight. The last time all three indices did this was May 2013 which proved to be an excellent buying opportunity. NYSE Weekly New Highs (4) and Lows (5) are also hinting at the possibility of a bottom. New highs bottomed three weeks ago while new lows are at their highest level since August 2013. Furthermore, CBOE Weekly Put/Call Ratio (6) has climbed to its highest level since April 2013 signaling that investor and trader sentiment has become much more negative. These are not firm signs of a bottom, but they are fair indications that the market could be on the verge of finding solid ground.

Click to view full size…

Pulse of the Market

Week End	DJIA	Net Change Week	Net Change On Fri**	Net Change Next Mon*	S&P 500	% Change Week	NASDAQ	% Change Week	NYSE Adv	NYSE Decl	NYSE New Highs	NYSE New Lows	CBOE Put/Call Ratio	90-Day Treas. Rate	Moody's AAA Rate
30-May-14	16717.17	+ 110.90	+ 18.43	+ 26.46	1923.57	1.2%	4242.62	1.4%	2118	1091	425	62	0.54	0.04	4.16
6-Jun-14	16924.28	+ 207.11	+ 88.17	+ 18.82	1949.44	1.3%	4321.40	1.9%	2093	1135	574	66	0.51	0.04	4.27
13-Jun-14	16775.74	– 148.54	+ 41.55	+ 5.27	1936.16	– 0.7%	4310.65	– 0.2%	1302	1910	492	41	0.51	0.04	4.28
20-Jun-14	16947.08	+ 171.34	+ 25.62	– 9.82	1962.87	1.4%	4368.04	1.3%	2243	973	574	51	0.47	0.03	4.27
27-Jun-14	16851.84	– 95.24	+ 5.71	– 25.24	1960.96	– 0.1%	4397.93	0.7%	1817	1414	556	66	0.53	0.03	4.20
4-Jul-14	17068.26	+ 216.42	+ 92.02	– 44.05	1985.44	1.2%	4485.93	2.0%	1944	1276	599	30	0.52	0.02	4.23
11-Jul-14	16943.81	– 124.45	+ 28.74	+ 111.61	1967.57	– 0.9%	4415.49	– 1.6%	1173	2070	309	60	0.60	0.03	4.19
18-Jul-14	17100.18	+ 156.37	+ 123.37	– 48.45	1978.22	0.5%	4432.15	0.4%	1679	1538	386	62	0.57	0.02	4.16
25-Jul-14	16960.57	– 139.61	– 123.23	+ 22.02	1978.34	0.01%	4449.56	0.4%	1503	1720	435	91	0.60	0.03	4.12
1-Aug-14	16493.37	– 467.20	– 69.93	+ 75.91	1925.15	– 2.7%	4352.64	– 2.2%	484	2772	260	191	0.68	0.03	4.13
8-Aug-14	16553.93	+ 60.56	+ 185.66	+ 16.05	1931.59	0.3%	4370.90	0.4%	1987	1239	106	196	0.69	0.03	4.14
15-Aug-14	16662.91	+ 108.98	– 50.67	+ 175.83	1955.06	1.2%	4464.93	2.2%	2318	909	234	79	0.62	0.04	4.08
22-Aug-14	17001.22	+ 338.31	– 38.27	+ 75.65	1988.40	1.7%	4538.55	1.6%	2318	914	405	52	0.54	0.03	4.08
29-Aug-14	17098.45	+ 97.23	+ 18.88	– 30.89	2003.37	0.8%	4580.27	0.9%	2168	1058	428	42	0.59	0.03	3.98
5-Sep-14	17137.36	+ 38.91	+ 67.78	– 25.94	2007.71	0.2%	4582.90	0.06%	1371	1837	402	52	0.64	0.03	4.03
12-Sep-14	16987.51	– 149.85	– 61.49	+ 43.63	1985.54	– 1.1%	4567.60	– 0.3%	718	2528	219	123	0.60	0.02	4.13
19-Sep-14	17279.74	+ 292.23	+ 13.75	– 107.06	2010.40	1.3%	4579.79	0.3%	1604	1622	209	187	0.60	0.02	4.21
26-Sep-14	17113.15	– 166.59	+ 167.35	– 41.93	1982.85	– 1.4%	4512.19	– 1.5%	646	2592	88	315	0.69	0.01	4.10
3-Oct-14	17009.69	– 103.46	+ 208.64	– 17.78	1967.90	– 0.8%	4475.62	– 0.8%	1235	2012	92	445	0.65	0.02	4.00
10-Oct-14	16544.10 (1)	**– 465.59**	**– 115.15**	– 223.03	1906.13 (2)	– 3.1%	4276.24 (3)	– 4.5%	801	2453	103 (4)	565 (5)	0.72 (6)	—	—

Bold Red = Down Friday, Down Monday

** On Monday holidays, the following Tuesday is included in the Monday figure*

*** On Friday holidays, the preceding Thursday is included in the Friday figure*

Seasonal MACD Update

As of yesterday's close, DJIA needed to gain 915 points (5.6%) in a single day to turn its MACD indicator positive, S&P 500 needed to gain nearly 120 points (6.4%) and NASDAQ 336.91 (8%). Today's trading will narrow the margins slightly. DJIA, S&P 500 and NASDAQ MACD indicators are deeply negative. An email alert will be issued when DJIA, S&P 500, and NASDAQ MACD Buy indicators are all positive. At that time, the "Best Six/Eight Months" will be officially declared underway and we will look to add to existing long positions in **SPDR DJIA** (DIA), **S&P 500** (SPY), **PowerShares QQQ** (QQQ) and **iShares Russell 2000** (IWM) as well as many other positions in the ETF portfolio.

Massive Gains from Halloween to Christmas

By Christopher Mistal & Jeffrey A. Hirsch

“Massive S&P 500 Gains Halloween to Christmas” is the largest dollar amount winning trade featured in the *Commodity Trader’s Almanac 2013*, now with a cumulative profit of $256,938 per single futures contact over the last 32 years including most recent data. This trade is obviously linked to the beginning of the “Best Six Months” of the year as detailed in the *Stock Trader’s Almanac 2014*. Going long the S&P 500 near the end of October and holding until just before Christmas has been successful 24 of the last 32 years, or 75.0% of the time. Seasonal strength is shaded in yellow in the following chart.

OCTOBER LONG S&P 500 MARCH) TRADING DAY: 19 – HOLD : 41 DAYS					
	Entry		Exit		Profit/
Year	Date	Close	Date	Close	Loss
1982	10/27	135.75	12/27	144.70	2,238
1983	10/27	169.10	12/28	167.40	–425
1984	10/25	171.95	12/24	171.15	–200
1985	10/25	189.05	12/24	209.25	5,050
1986	10/27	240.05	12/24	248.30	2,063
1987	10/27	229.75	12/24	253.30	5,888
1988	10/27	282.15	12/27	280.00	–537
1989	10/26	343.65	12/26	350.45	1,700
1990	10/25	314.10	12/24	331.20	4,275
1991	10/25	387.60	12/24	400.90	3,325
1992	10/27	418.30	12/24	440.65	5,587
1993	10/27	466.65	12/27	471.65	1,250
1994	10/27	470.40	12/27	466.00	–1,100
1995	10/26	583.35	12/26	619.55	9,050
1996	10/25	711.75	12/24	759.05	11,825
1997	10/27	884.40	12/24	942.20	14,450
1998	10/27	1084.10	12/24	1239.50	38,850
1999	10/27	1321.90	12/27	1477.80	38,975
2000	10/26	1391.30	12/26	1336.90	–13,600
2001	10/25	1104.70	12/24	1147.20	10,625
2002	10/25	898.50	12/24	891.50	–1,750
2003	10/27	1029.20	12/24	1092.90	15,925
2004	10/27	1126.00	12/27	1208.40	20,600
2005	10/27	1189.70	12/27	1264.00	18,575
2006	10/26	1404.70	12/26	1428.80	6,025
2007	10/25	1534.90	12/24	1506.60	–7,075
2008	10/27	833.70	12/24	865.00	7,825
2009	10/27	1055.50	12/24	1122.00	16,625
2010	10/27	1173.50	12/27	1253.30	19,950
2011	10/27	1276.60	12/27	1260.20	–4,100
2012	10/25	1401.40	12/24	1419.80	4,600
2013	10/25	1747.30	12/24	1829.10	20,450
				32-Year Gain	$256,938
				# Wins	24
				# Losses	8

Choices to execute this trade are numerous: full futures contracts, the e-mini electronic futures or a handful of ETFs such as SPDR S&P 500 (SPY) or Vanguard S&P 500 (VOO). SPY has the longest track record, the most assets and is the most heavily traded ETF making it the top choice. VOO’s main attraction is a net expense ratio of just 0.05%. We will look to enter this trade when we issue our Seasonal MACD Buy Signal.

Two-Month Yearend Euro Rally

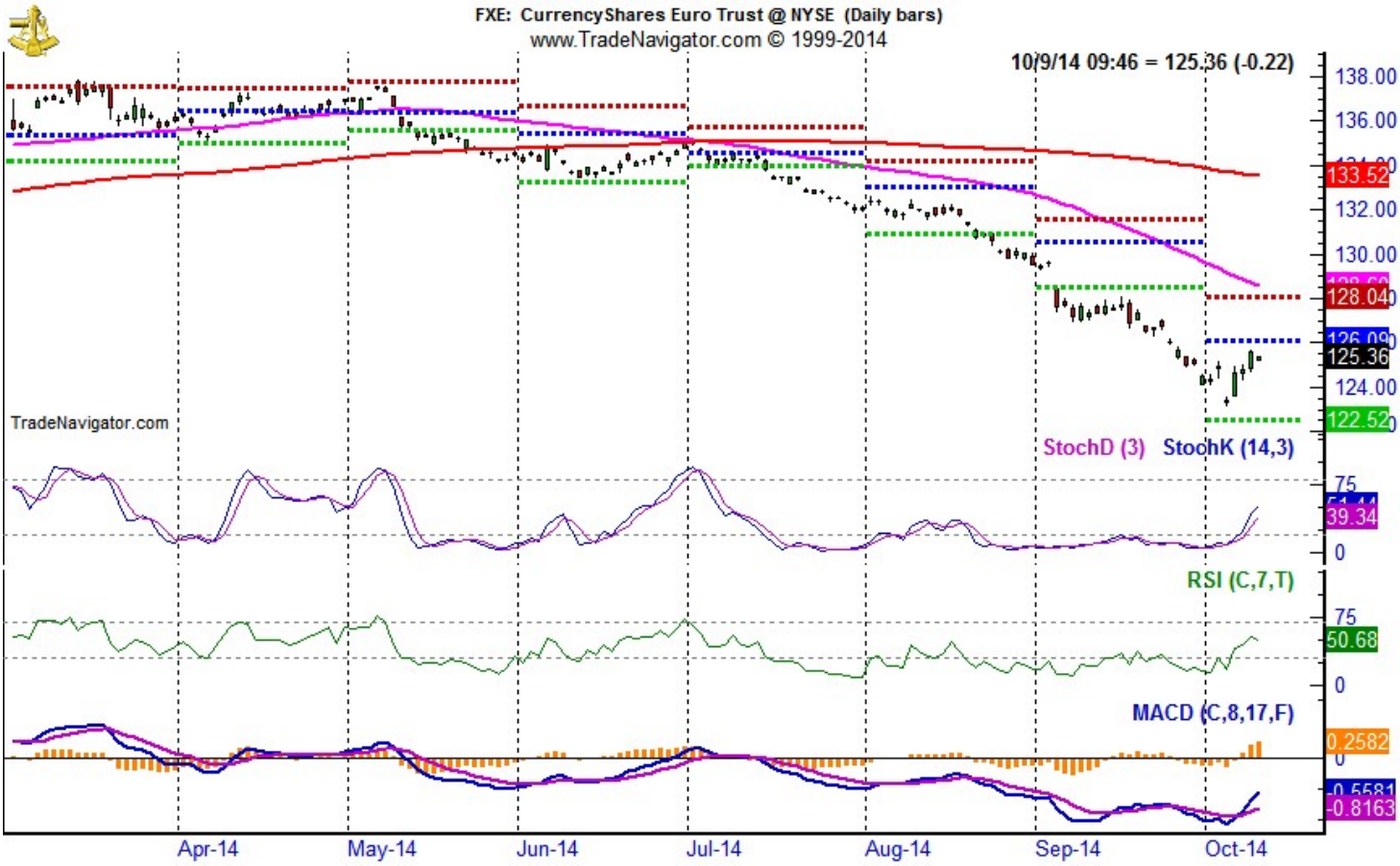
In the short fifteen year history of the euro currency, the market seems to make a bottom around the third week of October; then we see a tendency for price gains against the U.S. dollar by yearend. Many factors could be at play to explain this, such as multi-conglomerate U.S. corporations' need to make fiscal year-end book adjustments as well as to make foreign payroll and bonuses.

The trade itself begins by going long on or about October 24 and holding until about January 2. Due to the expiration of the December futures contract, we ran the statistics using the March futures contract. Overall we have a 60.0% success rate with 9 wins and 6 losses. The best win was in 2000 with a

$14,813 gain. From 2009 to 2011, European sovereign debt concerns trumped this seasonal tendency.

OCTOBER LONG EURO (MARCH) TRADING DAY: 18 – HOLD : 47 DAYS					
	Entry		Exit		Profit/
Year	Date	Close	Date	Close	Loss
1999	10/28	106.22	1/6	103.49	–3,413
2000	10/26	83.39	1/4	95.24	14,813
2001	10/24	88.92	1/3	89.74	1,025
2002	10/25	97.15	1/6	104.42	9,087
2003	10/27	116.98	1/6	127.37	12,988
2004	10/27	127.05	1/5	132.74	7,113
2005	10/27	122.35	1/6	122.03	–400
2006	10/26	127.78	1/4	131.31	4,413
2007	10/25	143.37	1/4	147.77	5,500
2008	10/27	125.23	1/5	135.73	13,125
2009	10/26	148.50	1/4	144.10	–5,500
2010	10/26	138.20	1/3	133.62	–5,725
2011	10/26	138.88	1/4	129.44	–11,800
2012	10/24	129.92	1/2	131.84	2,400
2013	10/24	138.05	1/2	136.52	–1,913
				15-Year Gain	$41,713
				# Wins	9
				# Losses	6

CurrencyShares Euro (FXE) is the top choice to execute this trade. FXE has ample assets and liquidity and a respectable option chain as well. Persistently weak European growth once again has the ECB providing stimulus. When compared to respectable growth in the U.S. and the reduction of stimulus here, it is easy to see when the euro has been falling against the U.S. dollar since May. Up until a week ago, stochastic, relative strength and MACD indicators applied to FXE where all deeply oversold, but have since improved. Whether the ultimate euro bottom is in, is still unknown at this time however, the Fed is not likely to allow the dollar to strengthen substantially more as it will put downward pressure on inflation and dampen U.S. exports. FXE could be bought on dips below $124.00. If purchased, a stop loss of $119.50 is suggested. This trade will be tracked in the *Almanac Investor* ETF Portfolio.



Disclosure Note: At press time, officers of the Hirsch Organization, or accounts they control held a position in SPY.

Bought the Dip, Waiting on Confirmation Now

By Jeffrey A. Hirsch & Christopher Mistal

Here we are in scary October and lo and behold market volatility has perked up. U.S. equities have been in decline since mid-September though the major averages are down only modestly so far. At this writing at the intraday lows DJIA was down 3.1% from the September 19 highs, S&P 500 -3.6%. From its September 18 closing high NASDAQ was off 4.4%. Many stocks and notably the Russell 2000 index of small caps are down 10% or more in official correction territory.

Back in early September most market participants and pundits were quite giddy. Sentiment was high and confidence was euphoric. After a big gain in August folks were dismissing September's historical penchant for declines, citing its recent record of eight S&P gains in the past 10 years. At the end of August on CNBC (and in this space) we reminded and warned every one that while September often opens strong the week after triple witching and the end of the third quarter are notoriously treacherous for the stock market.

Well, as we now know, the end of September gave the market a bit of wallop and then Octoberphobia kicked in and stocks have been struggling so far this month. When asked what it would take to knock the market down on CNBC we said on camera that it would take something overseas or systemic in the market. The geopolitical arena from Ukraine to Ebola, Eurozone economic woes, weak housing and renewed Fed rate increase fears have surely weighed the market down in this seasonally weak timeframe.

And where are all the "Sell in May" naysayers now? Since the close of April DJIA is up 1.0%, S&P 2.9% and NASDAQ 6.7. We try to remind people that "Sell in May" is not a strategy. It's just an old British saw. However, it does highlight the market's tendency to move sideways and be more prone to downturns during the Worst Six Months May-October. Though stocks are a little higher since May, not much ground has been gained.

The degree of panic on The Street has increased, but our analysis leads us to believe that the current geopolitical and Eurozone concerns are overblow at this juncture. We have been expecting this correction and buying into it. Sentiment and market internals have gone negative with the market and we expect the August lows or the 200-day moving averages to hold on DJIA, S&P 500 and NASDAQ. October is the best month to buy stocks. To quote one of the greatest investors of all-time, Warrant Buffet, who recently admitting to buying stocks in this correction, *"You try to be greedy when others are fearful, and fearful when others are greedy."*

Seasonal MACD Update

As of yesterday's close, DJIA needed to gain 168 points to turn its MACD indicator positive, S&P 500 needed to gain more than 22 points and NASDAQ 73. Today's trading will widen these margins further. DJIA, S&P 500 and NASDAQ MACD indicators are negative. An email alert will be issued when DJIA, S&P 500, and NASDAQ MACD Buy indicators are all positive. At that time, the "Best Six/Eight Months" will be officially declared underway and we will look to add to existing long positions in **SPDR DJIA** (DIA), **S&P 500** (SPY), **PowerShares QQQ** (QQQ) and **iShares Russell 2000** (IWM) as well as many other positions in the ETF portfolio.

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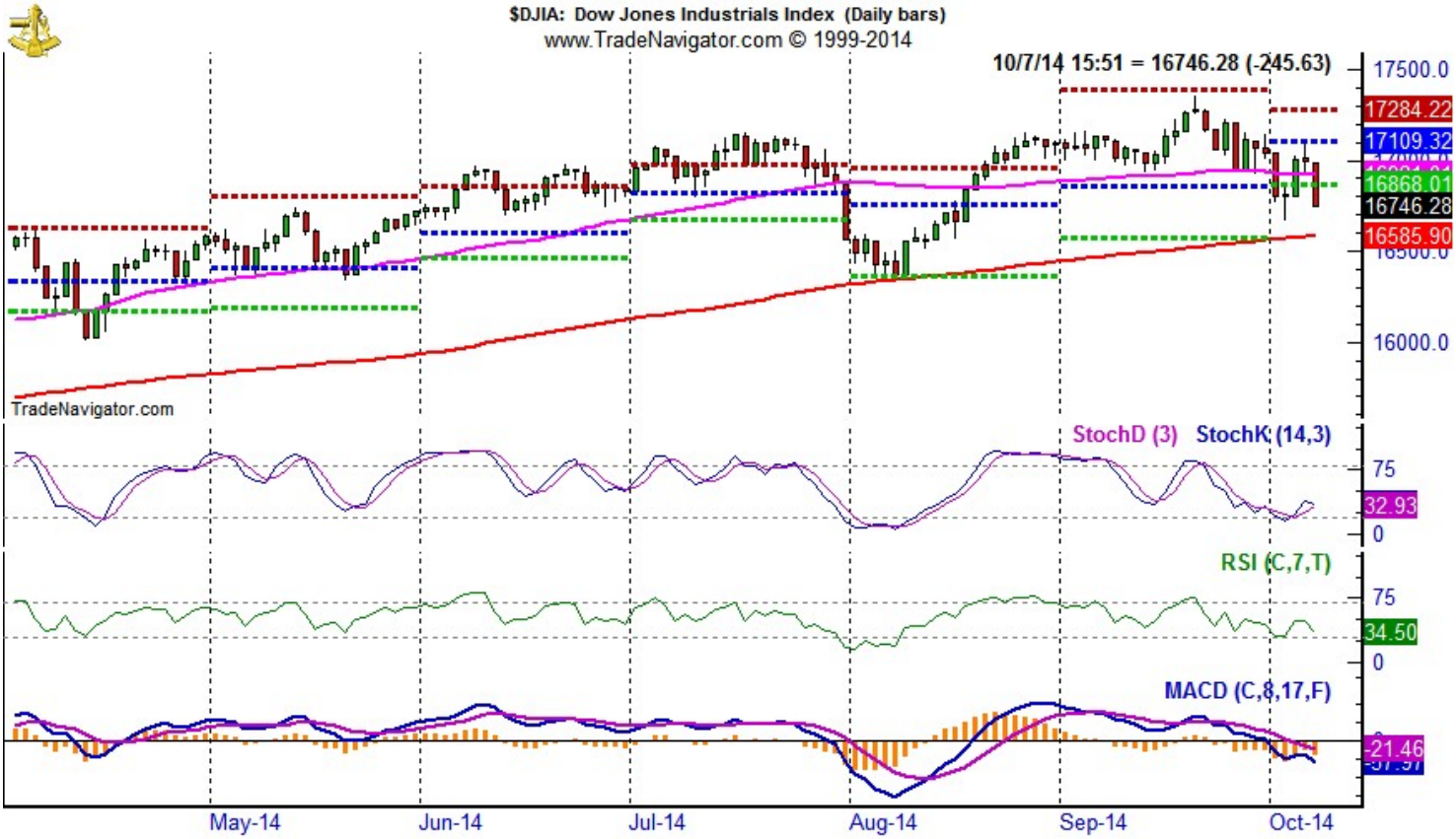

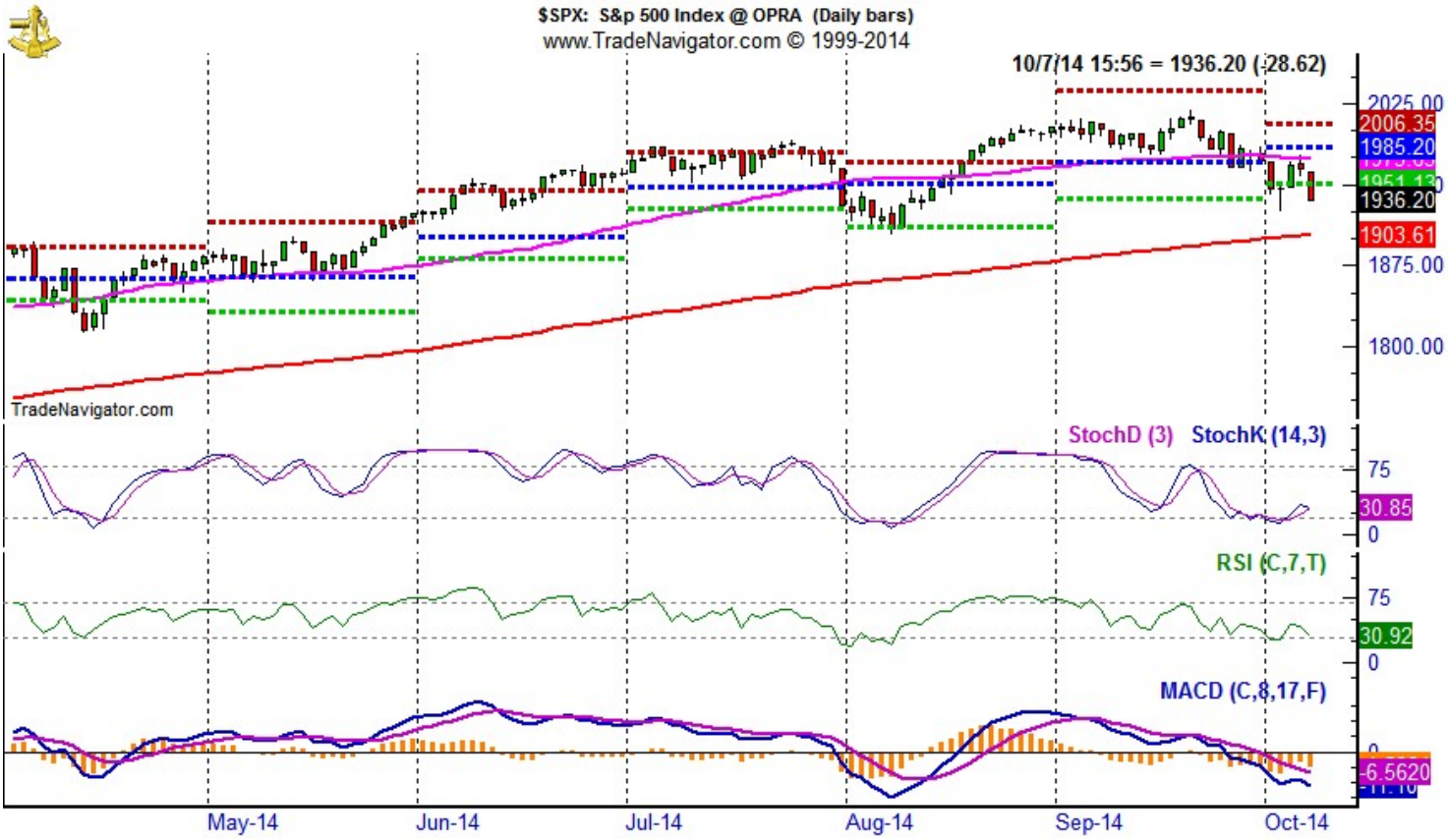

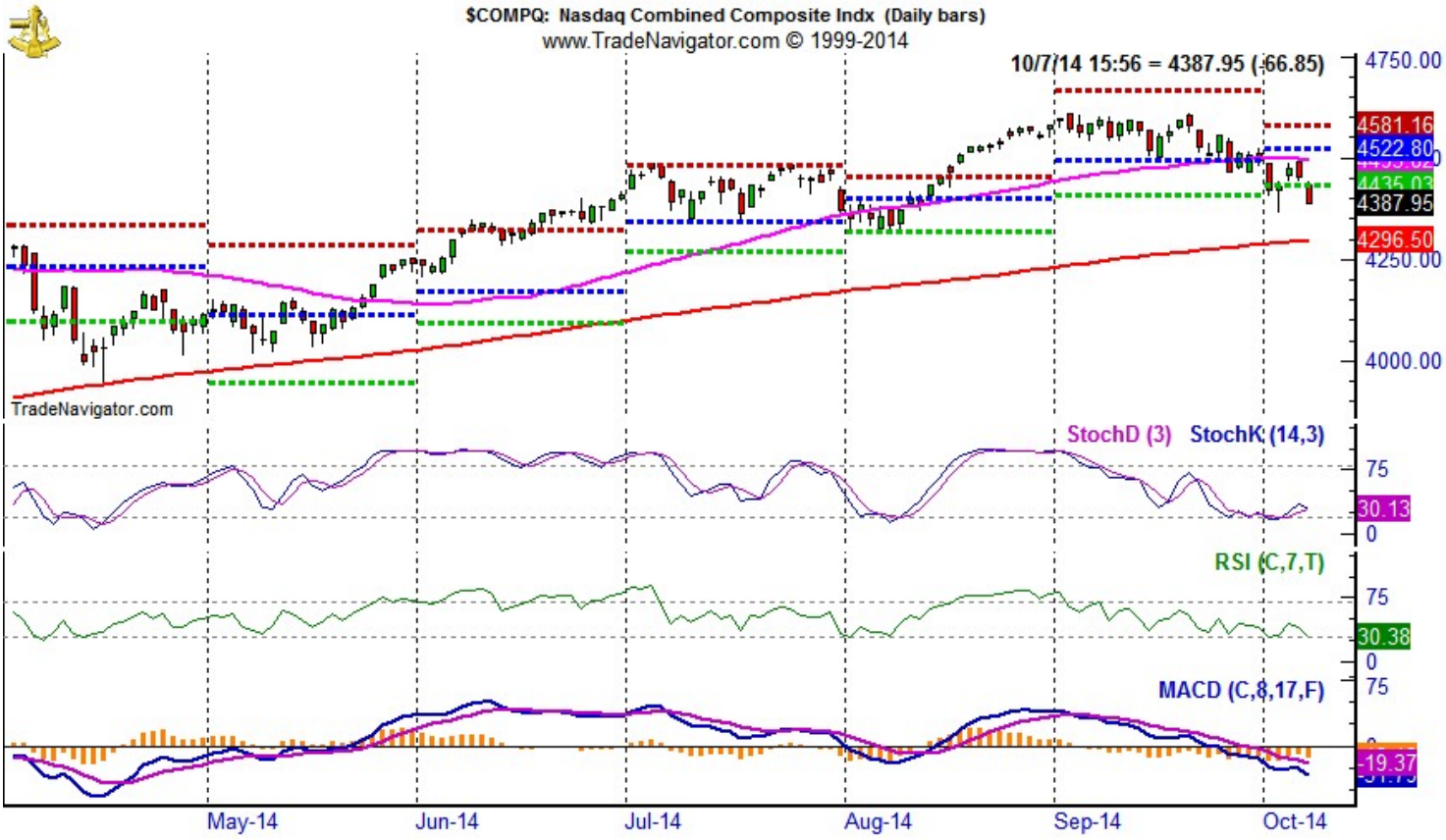

ETF Portfolio Update

No new sector seasonalities begin in November, but based upon most recent Sector Index Seasonality research, the Utility sector's favorable season comes to an end at the beginning of October. The corresponding position in **SPDR Utilities** (XLU) was stopped out of the portfolio in early August. Cyclical, Materials, Transports and Semiconductor seasonal weakness also come to an end in October. There are no corresponding positions that need to be addressed in the portfolio for these sectors.

From our September 9, Seasonal Sector Trades Alert, trade ideas **ProShares UltraShort Bloomberg Crude Oil** (SCO) and **CurrencyShares British Pound** (FXB) appear in the portfolio below. FXB was added using its closing price from September 9 while SCO was recently added on September 29. FXB did indeed bounce following the failed Scotland independence vote, but has since come under pressure from a surging U.S. dollar and is modestly lower. Continue to hold FXB as the Bank of England is still expected to raise interest rates before the Fed does. This should give the pound a lift against

the dollar. Largely due to above mentioned dollar strength, commodities in general and specifically oil have been falling. This has pushed SCO 7.5% higher since being added to the portfolio.

All nine trade ideas presented in early September have now been added to the portfolio. Initial positions in DIA, IWM, QQQ and SPY have also been established. As of yesterday's close SPDR Healthcare (XLV) was the best performer, up 2.4% while Vanguard REIT (VNQ) was the worst, down 5.2%.

All positions in the portfolio are on hold until the all-clear is sounded by our Seasonal MACD Buy signal.

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Almanac Investor ETF Portfolio

Ticker	Exchange Traded Fund	Presented Date	Price	10/6/2014 Price	Return	Buy Limit [1]	Stop Loss [1]	Auto Sell*	Current Advice [1]
DBA	PowerShares DB Agriculture	6/10/14	27.47	26.44	-3.7%		24.75		Hold
FDN	First Trust DJ Internet	7/8/14	61.55	60.67	-1.4%		55.53	87.07	Hold
IHI	iShares DJ US Medical Devices	7/8/14	101.40	103.23	1.8%		92.91	123.47	Hold, Added 9/23 @ 101.40
IYW	iShares DJ US Tech	7/8/14	100.90	99.87	-1.0%		91.86	131.63	Hold
IBB	iShares NASDAQ Biotech	7/8/14	267.03	271.72	1.8%		244.55	378.62	Hold
UNG	United States Natural Gas	7/10/14	22.15	20.96	-5.4%		20.40		Hold
XLP	SPDR Consumer Staples	8/7/14	44.96	45.46	1.1%		41.05	54.60	Hold
XRT	SPDR Retail	8/7/14	87.98	85.82	-2.5%		80.15	106.84	Hold
JO	iPath DJ-UBS Coffee TR Sub-Idx ETN	8/12/14	35.60	42.21	18.6%		37.99		Hold
IYT	iShares DJ Transports	9/4/14	148.48	149.63	0.8%		134.67	194.03	Hold, Added 10/1 @ 148.48
IYZ	iShares DJ US Telecom	9/4/14	30.37	29.47	-3.0%		27.48	36.35	Hold
SOXX	iShares PHLX Semiconductor	9/4/14	85.90	84.00	-2.2%		77.31	107.91	Hold, Added 10/1 @ 85.90
XLF	SPDR Financial	9/4/14	23.05	23.21	0.7%		20.89	29.61	Hold, Added 9/29 @ 23.05
XLV	SPDR Healthcare	9/4/14	62.58	64.11	2.4%		57.70	75.93	Hold, Added 10/2 @ 62.58
XLI	SPDR Industrial	9/4/14	53.30	52.64	-1.2%		47.97	70.12	Hold, Added 9/24 @ 53.30
XLB	SPDR Materials	9/4/14	49.92	48.43	-3.0%		45.05	63.53	Hold
XLK	SPDR Technology	9/4/14	39.77	39.59	-0.5%		35.79	49.96	Hold, Added 9/25 @ 39.77
VNQ	Vanguard REIT	9/4/14	76.39	72.43	-5.2%		68.75	95.79	Hold
SCO	ProShares UltraShort Bloomberg Crude	9/9/14	29.07	31.24	7.5%		30.98		Hold, Added 9/29 @ 29.07
FXB	CurrencyShares British Pound	9/9/14	158.53	158.05	-0.3%		155.50		Hold
DIA	SPDR DJIA	9/18/14	168.45	169.57	0.7%		152.61		Hold, Added 10/1 @ 168.45
IWM	iShares Russell 2000	9/18/14	112.05	108.71	-3.0%		100.85		Hold, Added 9/22 @ 112.05
QQQ	PowerShares QQQ	9/18/14	97.90	97.96	0.1%		88.16		Hold, Added 9/25 @ 97.90
SPY	SPDR S&P 500	9/18/14	194.01	196.29	1.2%		176.66		Hold, Added 10/1 @ 194.01
				Open Position Average % Return	0.2%				
				Average Total % Return	2.5%				

[1] STANDARD POLICY: SELL HALF ON A DOUBLE, Buy Limits good til cancel, Stop only if closed below Stop Loss,
*Current Advice is based upon closing prices as they appear in table. *Auto Sell price based upon historical sector returns plus 10%.*

Disclosure Note: At press time, officers of the Hirsch Organization, or accounts they control held positions in IBB, IWM, IYT, QQQ, SPY, UNG, VNQ, XLF, XLI and XLV.

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