



Election Day Trading

US stocks experienced their first "real" pullback since August last week and all indexes declined to their rising 21 day moving averages at the very least. That was enough for the bulls as they came back from the weekend in a buying mood, excited by more M&A activity. It was the classic trend day as stocks opened at their lows and moved steadily higher all day with very strong internals. Evidence of this was seen well before 10am as the gap up across the board chopped sideways for 15 minutes and blasted higher by 10am. The only important missing ingredient was volume, which did not overwhelm, yet. It is very rare to see back to back trend days and we do have the election results to wait for, much like Fed day when we typically see stocks chop sideways until the announcement.

If you are looking for strategies to take full advantage of days like Monday, I suggest the Tiger IT and Tiger ST OTC programs. Coming off a huge October where the model portfolios earned more than 8%, they exploded higher, once again, to some eye popping returns. Make sure to contact me directly to invest a piece of your portfolio in one of these strategies.

With the help of some peers, I did a study on midterm election trends and found that the norm is to see mild strength both before and after, lasting about a week. The only caveat I could find was that there was usually a major market bottom formed in early to mid October ahead of this. I believe a split Congress is priced into the market and only a Republican victory in both houses of Congress would be taken negatively by stocks. Everything I have read shows that incumbent parties have almost always lost seats in both houses as the market historically performs very poorly the year heading into the midterm contest.

While both of our US equity models remain solidly positive (since July 8) and I do believe there is another leg higher across the board to much higher highs, I have a hard time believing it began yesterday and there won't be more weakness to come this month. I imagine that if the major indexes poke through the recent peaks, it will be a selling opportunity in the short-term rather than a "pile on" buying one. I will know I am wrong if stocks blast through the highs on heavy volume and close the week there.

All Good Trades,

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