FINANCIAL PREPAREDNESS

"One of life's most painful moments comes when we must admit that we didn't do our homework, that we are not prepared." ~ Merlin Olsen

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Seasonality

With the passage of the Autumnal Equinox two days ago, Fall is suddenly in the air. The significantly cooler temperatures are a welcome relief after months of oppressive heat and humidity. The wind picks up, blowing huge quantities of leaves off the trees, and the days continue to get shorter.

I have long believed that the seasons, the weather and the moon phases affect human psychology and thus investor sentiment and financial market returns. For millennia, man's daily life was heavily influenced if not determined by the seasons, the weather, and perhaps even the moon phase. Those factors influenced the type and amount of food that was available, which activities were possible, how much sunlight was available (which affected visibility, Vitamin D availability and thus health, and mood), and how much time and energy had to be spent trying to protect oneself from the elements and predators.

Fall is the time of harvest, of gathering and securing food and supplies for the long Winter until plants begin growing again and food becomes more widely available. It's a time for putting fat onto one's body so it can survive the Starving Time of early Spring. It's a time for pulling in your horns, reducing risk and hunkering down.

September 22 was Gann Day. What follows is the information I have collected about it during my career:

“Paul Montgomery recently wrote of the days between September 21st and 23rd, claiming that these dates have often been linked to major market turning points.

“The legendary trader W.D. Gann reportedly claimed that capital and commodity markets tend to top out around September 22nd more often than any other day of the year. There is no apparently economic logic behind this reported observation . . . but . . . in as much as September 22nd happens to be the usual date of the Autumnal Equinox . . . . Initially, we never took such notions seriously. This was despite the authority of W.D. Gann, and even despite research from the Department of Neuroanatomy at Yale Medical School, which discovered that the human nervous system typically undergoes measurable perturbations during the late September time period.

“However . . . we have experienced first hand the October Massacre of 1978; the October Massacre of 1987; the October 'Crashette' of 1989; the 1997 Asian collapse; the 1998 Long Term Capital sell-off, etc. And remember the Great Gold Boom of the 1970s. While bullion peaked on January 21,1980, the gold and silver stocks made their all time bull market highs on September 22, 1980. This day also saw the major peak in many oil stocks, which were enjoying a parallel bull market at the time. Also prior to the Great Crash of 1929, the last stock market index to make its then all time peak, the Dow Jones Utility Index, did so on September 21, 1929. Even as far back as 1873, such absolute panic struck, that the NYSE voted, on September 21st to temporarily close its doors.

“On rare occasions, markets bottom on the Autumnal Equinox. Soybeans made a major bottom on September 21st, 1984; and more recently, the market low after the infamous terrorist attack on our country occurred on September 22, 2001 . . . .

“Besides stock market moves, numerous currency market moves also have keyed off of this date. On September 21, 1931, for example, the British Pound sterling was devalued 28% overnight—from $4.84 to $3.50. Also the now famous Plaza Accord of September 21st, 1985, which started a dramatic run in currencies, occurred on the . . . 54th anniversary of Britain's leaving the gold standard . . . . And finally, recall that the historic 'Gould-Fiske Gold Corner Panic' also peaked exactly on September 21st--the year was 1869.”

Various markets and commodities have their own seasonality. For example, the gold market is heavily affected by the wedding season in India, where gold is a traditional gift. And the U.S. stock market is affected by the four year presidential election cycle.

On September 21, there was a full moon. Although I think astrology is bunk, apparently the moon phases can influence the sleep, mood and behavior of humans. Although this review of scientific studies found almost no correlation between the moon phase and various events, there were a few exceptions, including crime. If the moon can affect the tides and animal behavior, it's possible that it could affect human behavior as well. I once read about a study that found that if you bought a stock index at each new moon and sold it at each full moon, on average, over a long period of time, you would significantly outperform the S&P 500.

Over my career, I've also noticed that turning points in the market seem to occur disproportionately on turning points on the calendar, such as at the beginning of a month or at the end of a year. Turning points at the beginning of a month could be influenced by investors putting new money (from monthly wages) to work. Turning points at the end of a year could be influenced by tax loss harvesting, upcoming changes in the tax code, rebalancing, "window dressing" by fund managers, or an annual review of one's portfolio.

I think it's important that you realize how the seasons, weather, moon phase and calendar can affect your mood and behavior (as well as everyone else's), and how that could lead to some investment opportunities.

What You Should Be Doing Now

I plan to cover the why and how of these in future issues (if I haven't already), but here are some actions I recommend you take (or at least start thinking about) now:

1. This week the Fed said that "If progress continues broadly . . . a moderation in the pace of asset purchases [i.e., currency printing] may soon be warranted." As Peter Schiff argues, this is just more "jawboning" by the Fed, trying to look like it's protecting the value of the dollar (which is actually one of its two legal mandates) while it's actually debasing it like crazy. Most of the market still believes the Fed for now, so the price of precious metals tanked as a result. Silver dropped to $22.03 per ounce, near its one-year low of $21.81 and its post-election low of $21.96. The Optimism Index for silver is at 43, just about the lowest it's been since May 2020. On Sept. 20, the Relative Strength Index for silver dropped to 30 and the price fell well below its lower Bollinger band (both good buy signals). If you don't have any physical silver or your want to increase your allocation, now seems like a good time to top off. Shares of precious metal mining companies have also been in the tank in recent days. The Bullish % Index for Gold Miners is at 20, the lowest since March 2020, and the Optimism Index for GDX is at 31.8 and for GDXJ it's 35.9. The price of each ETF is the lowest since April 2020 and is at the bottom of its lower Bollinger band.

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I would love to hear from you! I thrive on feedback from readers. If you have any comments, suggestions, insight/wisdom, or you'd like to share a link to a great article, please email me.

Generally, I don't have time to answer questions about your specific situation, but if you have a general question that I think other readers also have, let me know and I will provide an answer in a future issue.

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Before starting a new diet or exercise regimen, you should consult with a doctor, nutritionist, dietician, or personal trainer.