

The Trend is your friend.

We have all the phrase the trend is your friend. What we fail to hear is the rest of that phrase that goes the trend is your friend until the end. There are a few long term trends that the market has been in that give you the retail trader an opportunity to take advantage of. Spotting the trend while it is in process can get you into a profitable trade earlier than waiting for it to appear on the cover Forbes magazine often times illustrating a point the trend may be coming to an end. There are trends that can help identify the strongest or most bullish time frames of the year. In fact there is an entire book called the Trader's Almanac that covers hundreds of different Seasonal trends in the marketplace. If you the trader can look at a hundred years of past data and you recognize that a specific time frame the market 70% of the time moves up then you can use that information in the future to keep you invested in the market place during the most bullish time frames.

While there is no "Holy Grail" or any magic indicator that when it sets up it allows a trader to make an infinite rate of return with virtually no risk, in fact successful traders spend time and money to master their craft. Nothing can replace research and analyzing the current economic state of the marketplace and then doing some fundamental research to spot strong opportunities, then taking it a step further and applying technical analysis to time your entry. This is the steps most traders take to profit from the marketplace. However another step is to find the most bullish time frames to invest within. There are certain times of the year when historically the strongest earnings reports come out giving the trader an edge trading during these stronger periods. There are also times of the month when institutional traders invest their monthly collections which often times forces the market higher as well. When you add seasonal analysis to your current trading then you will be adding another layer of probability to your trading.

Since we are well underway in the election process let's talk about a pattern that is setting up right now. This is a trend that Jake Bernstein spotted and identified and has since been widely published in the world of trading. This is a pattern that uses the two emotions that drive the stock market to extremes Fear and Greed. These two emotions are so strong in human nature that it sets up during a presidential election as well. As a nation people are scared of the unknown and when people are scared they typically don't like to invest or spend. And the opposite is true as well. When you become used to a certain situation you become complacent of the negatives and people work through it. There is a very intriguing pattern that has been extremely effective since 1944 that says the last 2 years of a presidential term the market is bullish. If you take the open on Jan 1 and look at the close 2 years later or look at the last trading day of the presidential term the market closes higher than where it opened two years in the past. There are some beliefs that regardless of which party is in office that they do whatever it takes to have a strong economy so that their party will be re-elected.

The other half of this pattern says that historically the market is bearish the first 2 years of a new president's term. There are many reasons to support why this may occur, one being that a new president will change policy that will dramatically change the current harmony in the marketplace. Often times you will see an economy that is apprehensive of

dramatic changes by a new policy. It is human nature to be apprehensive and maybe even fearful of a new change. A change of office is a major change when you look at the policy and economic changes that are destined to occur. This fear of the unknown is easily seen in the marketplace when you look back at the charts of the Dow Jones Industrial Average during the first 2 years of a presidential term for the last 50 years.

When we look at the last 2 years of Bill Clinton's term in office we saw the Dow Jones Industrial Average go from 9194 to an all time high at the time of 10778 this time frame saw the market place gain a whopping 17.2% gain for that 2 year period. The economy was strong and if someone would of mentioned the word recession they would have been laughed at. However in 2001 when President Bush stepped into office the market at 10778 pulled back to 8303 just 2 years later selling off 23%. This was a major move in the marketplace and the word recession was being thrown around quite a bit. The market has since rebounded nicely to see the market hit all time highs and break the 14,500 level in 2007.

So where are we now? We are once again in the last 2 years of a presidential term. The market opened on Jan 3<sup>rd</sup> of this year at 12,474 and has traded over 14,500 We have until the end of 2008 to finish out the 2 year bullish cycle. However once this cycle is completed then the next cycle would predict a pullback in the marketplace for the following 2 years from 2009-2011. While nothing is set in stone and past data does not guarantee future results. The data is very compelling and certainly shouldn't be ignored. As a trader you should be able to make profits no matter which direction the markets move. Taking control of your financial future and learning how to invest not only a bullish and bearish market but also a sideways moving market will allow you to get through any movement in the market with profits. Consider adding seasonal analysis to your current arsenal when trading the marketplace.