



CRAWFORD *Perspectives*

YEAR-END SANTA CLAUS RALLY - this year?

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Usually, this period is likely to be the better short period of the year. From Christmas to the second trading day in January has a very excellent record. There are complicating circumstances this year. The technical conditions and market sentiment factors are both suggestive of excessive valuations and probably overexcited emotionalism brought about by election expectations and ensuing trauma. Business people are much more optimistic about business under Trump than anti-business sentiment under our more Socialist-leaning Left. This has been given even more impetus by Mr. Trump's pro-business orientation, including his cabinet choices from the business community, including several billionaires!

Another complication involves conditions among most Fund Managers not having met or beaten their benchmark targets, or even, heaven forbid, actually lost money during the current measuring periods. There are likely to be many who feel dependent on the next few days to make compensative adjustments from negative to positive, under tremendous pressure, in order to continue to maintain the bulk of their customers. That represents no small addition to the emotional mix! We estimate that the Management class will sell some losers and use the money to jack up a small number of their favorites during this critical interlude.

That is likely to give us an extremely mixed outcome, with a small overall positive bias. Another added factor involves the psychological approach of large Round Numbers in the Major Indices, with everyone watching the 20,000 level on the DJIA and 5000 on the NDX-100. These otherwise meaningless numbers now have a powerful emotional impact on the "madness of crowds" heightened further by the popular media which will reap extra sales from the artificial excitement. As with the election results, we will be watching with great interest!

HAPPY NEW YEAR!

Arch Crawford