

The Three Tenors' Fourth Quarter Tune

And a Mary Poppins' Update

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An Update of the June 28, “Mary Poppins Signal”

On June 28, 2013, I published a study which heralded the arrival of Mary Poppins (MP) to the NYSE. Recall, the MP Signal was so named because, as was Miss Poppins, the forward performance was ‘*practically perfect in every way*’ measurable, 11-0 one, three and six months forward, and I proposed the argument, the highly publicized ‘Hindenburg Omen’ sightings of that period, were no match for my girl, Mary. The MP Signal has now added a twelfth consecutive forward positive month/quarter to its ledger with the forward six month results under favorable construction, as well. In reviewing the current signal’s progress, recall that a MP Signal, occurs when;

- 1.) The S&P experiences a negative month (June in this case),
- 2.) Breaking a streak of at least seven consecutive positive months (Nov-May),
- 3.) Of which December, January and February participated.

S&P Performance After a Mary Poppins’ Signal							
#	Year	Month	Losing Mt%	#MtsIn Streak	Forward S&P Performance		
					1MT%	3MT%	6MT%
01	1936	APR	-7.71	12	4.58	15.11	24.98
02	1943	JUL	-5.43	7	1.03	2.05	1.46
03	1950	JUN	-5.80	11	0.85	9.95	15.49
04	1954	AUG	-3.40	11	8.31	14.78	23.23
05	1961	JUN	-2.88	7	3.28	3.23	10.69
06	1964	AUG	-1.62	8	2.87	3.17	6.84
07	1983	MAY	-1.24	9	3.52	1.24	2.46
08	1991	JUN	-4.79	7	4.49	4.50	12.37
09	1993	APR	-2.54	7	2.28	1.80	6.28
10	1995	AUG	-0.03	8	4.01	7.74	13.98
11	1996	JUL	-4.57	8	1.88	10.21	22.85
12	2013	JUN	-1.50	7	4.95	4.69	?
#UP-DN =					12- 0	12- 0	11- 0
AVG%CHG=					3.40	6.54	12.78
MED%CHG=					3.65	4.60	12.37

[Press Control and ‘Left Click’ here, for the original June 28 Mary Poppins’ Story](#)

And a few additional September studies which panned out for commentary subscribers;

The September Surprise Setup

In another study floating around in cyber space, I observed that although September was the well documented weakest S&P month of the year, the S&P had been up the last eight Septembers in which a negative August had been preceded by a positive July. We can now make that nine straight occasions. I also noted, that going back to 1950, the seven cases in which a +2% July were followed by a -2% August, the September S&P was 6-1. That setup is now 7-1 for an average gain of 3.24%

September When July Is Up And August is Down			
Year	July%	Aug%	Sept%
1964	1.82	-1.62	2.87
1967	4.53	-1.17	3.28
1973	3.80	-3.67	4.01
1992	3.94	-2.40	0.91
1995	3.18	-0.03	4.01
1997	7.81	-5.75	5.32
2005	3.60	-1.12	0.69
2010	6.88	-4.74	8.76
2013	4.95	-3.23	2.97
#UP-DN= 9-0 AVG%CHG = 3.65			

Sept When July is Up +2% And August is Down -2%			
Year	July%	Aug%	Sept%
1953	2.53	-5.78	0.13
1954	5.72	-3.40	8.31
1956	5.15	-3.81	-4.51
1973	3.80	-3.67	4.01
1992	3.94	-2.40	0.91
1997	7.81	-5.75	5.32
2010	6.88	-4.74	8.76
2013	4.95	-3.23	2.97
#UP-DN = 7-1 AVG%CHG = 3.24			

A Nasdy September

My subscribers were privy to the observation that if one were apprehensive of the September S&P seasonals, but wanted to maintain some long U.S. equity exposure, they should consider the Nasdaq which had been positive in 14 of the 17 last Septembers in which the preceding January Nasdaq had been positive, outperforming the S&P in 13 of those 17 Septembers. The 2013 September Nasdaq was up 5.06%, giving the September Nasdaq a 15-3 mark in this particular setup, getting much the better of the September S&P (2.97%) in 14 of those 18 years.

A Couple of Mid September S&P Trading Slants Which Also Worked Out

I noted the last 14 times the prior ten days were positive, the seven days before the September Options Expiration were positive. We can now make that 15 in a row.

THE SEVEN DAYS BEFORE THE SEPT OPEX WHEN THE TRAILING 10 DAYS ARE POSITIVE									
YEAR	TRL10	THU	FRI	MON	TUE	WED	THU	FRI	7DAYS
1983	3.19	-0.11	-0.51	-0.86	-0.41	0.33	-0.59	1.14	-1.02
1988	3.42	0.00	0.36	-0.14	0.36	0.70	-0.44	0.94	1.80
1989	2.36	-0.25	0.12	-0.32	0.30	-0.93	-0.67	0.55	-1.20
1990	0.37	-1.21	-0.57	0.30	0.26	-0.63	-1.62	-0.05	-3.48
1992	1.15	0.86	-0.09	1.36	-1.29	0.04	0.00	0.71	1.58
1994	1.40	0.46	-1.05	-0.42	0.28	0.27	1.28	-0.76	0.04
1995	1.91	0.02	0.42	0.21	0.45	0.39	0.84	-0.04	2.31
1996	0.13	0.58	1.40	0.51	-0.15	-0.22	0.22	0.59	2.96
1997	0.66	-0.70	1.24	-0.45	2.81	-0.28	0.45	0.34	3.43
2003	1.42	0.54	0.22	-0.38	1.43	-0.33	1.33	-0.32	2.51
2004	1.83	0.19	0.50	0.17	0.22	-0.71	0.28	0.45	1.10
2005	1.54	-0.38	0.80	-0.07	-0.75	-0.33	0.05	0.83	0.13
2006	0.11	-0.48	0.38	0.05	1.04	0.38	-0.14	0.27	1.51
2007	2.74	0.84	0.02	-0.51	2.92	0.61	-0.67	0.46	3.68
2009	0.52	1.04	-0.14	0.63	0.31	1.53	-0.31	0.26	3.38
2010	4.47	0.48	0.49	1.11	-0.07	0.35	-0.04	0.08	2.43
2011	3.12	-1.06	-2.67	0.70	0.91	1.35	1.72	0.57	1.45
2012	1.93	1.63	0.40	-0.31	-0.13	0.12	-0.05	-0.01	1.64
2013	3.60	-0.34	0.27	0.57	0.42	1.22	-0.18	-0.72	1.23
#UP-DN =	11- 8	13- 6	10- 9	13- 6	12- 7	9-10	13- 6	16- 3	
AVG%CHG=	0.11	0.08	0.12	0.47	0.21	0.76	0.27	1.34	
MED%CHG=	0.02	0.27	0.05	0.30	0.27	-0.05	0.34	1.58	

And we observed that the week of Sept 18-25 had been down in 13 of the previous 14 Post Election Years. We can now make that 14 out of 15.

SEPT 18TH-25TH IN POST ELECTION YEARS									
YEAR	SEPT18SP	SEPT25SP	%CHG	YEAR	SEPT18SP	SEPT25SP	%CHG		
1957	44.69	42.98	-3.83	1989	346.73	344.23	-0.72		
1961	67.21	65.77	-2.14	1993	458.83	457.63	-0.26		
1965	90.05	90.02	-0.03	1997	947.29	937.91	-0.99		
1969	94.90	94.77	-0.14	2001	1032.74	1012.27	-1.98		
1973	103.77	108.05	4.12	2005	1237.91	1215.29	-1.83		
1977	96.48	95.04	-1.49	2009	1068.30	1044.38	-2.24		
1981	116.26	112.77	-3.00	2013	1725.52	1692.77	-1.99		
1985	181.71	180.66	-0.58						
#UP-DN =	1-14			AVG%CHG=	-1.12			MED%CHG=	-1.49

And In Appreciation for Your Patience, a Couple of New Studies, Commercial Free.

What a Positive September Means For the Fourth Quarter

With the addition of this year's 2.97% September, the S&P is now 30-35 in post 1950 Septembers and is still the only calendar month below the Mendoza Line, across these, the critical decades of my life span. Speaking of Manny Mendoza, he once noted, that when the market goes against the trend, it is customarily advisable to go with the market, as the S&P's ability to post a positive number in the weakest month of the year is a trait symptomatic of aberrant internal strength. In this case, the strength is particularly prevalent in the last two months of the year which were 25-4 in this setup for an avg/med gain of 4.05/4.61%.

The Fourth Quarter After a Positive September						
#	YEAR	SEP%	OCT%	NOV%	DEC%	NOVDEC%
01	1950	5.59	0.41	-0.10	4.72	4.61
02	1953	0.13	5.10	0.90	0.20	1.10
03	1954	8.31	-1.95	8.08	5.08	13.57
04	1955	1.13	-3.05	7.49	-0.07	7.42
05	1958	4.84	2.54	2.24	5.20	7.56
06	1964	2.87	0.81	-0.52	0.39	-0.13
07	1965	3.20	2.73	-0.88	0.90	0.01
08	1967	3.28	-3.53	0.75	2.63	3.40
09	1968	3.85	0.72	4.80	-4.16	0.44
10	1970	3.41	-1.25	4.74	5.68	10.69
11	1973	4.01	-0.13	-11.39	1.66	-9.92
12	1976	2.26	-2.22	-0.78	5.25	4.43
13	1979	0.00	-6.86	4.26	1.68	6.01
14	1980	2.52	1.60	10.24	-3.39	6.50
15	1982	0.76	11.04	3.60	1.52	5.17
16	1983	1.02	-1.52	1.74	-0.88	0.84
17	1988	3.97	2.60	-1.89	1.47	-0.45
18	1992	0.91	0.21	3.03	1.01	4.07
19	1995	4.01	-0.50	4.10	1.74	5.92
20	1996	5.42	2.61	7.34	-2.15	5.03
21	1997	5.32	-3.45	4.46	1.57	6.10
22	1998	6.22	8.03	5.91	5.64	11.88
23	2004	0.94	1.40	3.86	3.25	7.23
24	2005	0.69	-1.77	3.52	-0.11	3.40
25	2006	2.46	3.15	1.65	1.26	2.93
26	2007	3.58	1.48	-4.40	-0.86	-5.23
27	2009	3.57	-1.98	5.74	1.78	7.62
28	2010	8.76	3.69	-0.23	6.53	6.29
29	2012	2.42	-1.98	0.28	0.71	0.99
30	2013	2.97**	?	?	?	?
		#UP-DN =	16-13	21- 8	22- 7	25- 4
		AVG%CHG=	0.62	2.36	1.66	4.05
		MED%CHG=	0.41	3.03	1.52	4.61

The Three Tenors' Fourth Quarter Tune

And now for our featured presentation; Secular Bull and Bear Markets have a strong tendency to be Global in nature, so I was curious as to what we could expect for the Fourth Quarter, when the Three Tenors of global equity markets (the S&P, the FTSE and the Nikkei) were harmonizing in textures which resonate with those expressed over the first three quarters of 2013. The S&P, FTSE and the Nikkei closed out the first three quarters of 2013 up 17.77, 09.57 and 39.06%, resp. I went back through the 28 years in which all three of these indexes have been in existence and searched for those 10 years whose first three quarters most closely correspond with those experienced in this, the year of the passing of Douglas C. Engelbart, an important figure in the data mining process. My search criteria resulted in the following table of results which are listed below in order of best match.

THE 4TH QUARTER WHEN THE THREE TENORS OPEN IN A 2013 STYLE TUNE							
	FIRST 3 QUARTERS			FOURTH QUARTER			
# YEAR	S&P%	FTSE%	NIKKEI%	S&P%	FTSE%	NIKKEI%	AVG%
0 2013	17.77	9.57	39.06	?	?	?	?
1 1988	12.40	4.69	39.86	2.14	-1.83	8.01	2.77
2 1999	19.53	17.81	36.79	14.54	14.93	7.55	12.34
3 1986	14.62	18.86	42.61	4.69	7.92	4.75	5.79
4 2005	2.98	16.71	40.24	1.57	2.58	18.69	7.61
5 2012	13.41	5.84	22.94	-1.01	2.71	17.19	6.30
6 2003	26.38	13.62	24.45	11.64	9.42	4.48	8.51
7 2006	13.64	10.71	6.92	6.17	4.36	6.81	5.78
8 2009	23.45	22.07	19.04	5.49	5.43	4.08	5.00
9 1985	26.33	15.42	13.61	16.04	9.50	3.25	9.60
10 2004	8.99	7.54	7.61	8.73	5.33	6.15	6.74
			#UP-DN =	9- 1	9- 1	10- 0	10- 0
			AVG%CHG=	7.00	6.04	8.10	7.04
			MED%CHG=	5.83	5.38	6.48	6.52

Nine out of the top ten years in this setup produced winning fourth quarters for the S&P and the FTSE, and the weakest of the top ten fourth quarters for the Nikkei was a positive 3.02%. The last column in the table is the return for an index based on a Three Tenor Average and all ten of those were positive, with the worst case being +2.77% in 1988.

The 4th Quarter Monthly S&P's When the Three Tenors Sing in 2013 Style Tones

And below is the more detailed monthly breakdown for the S&P in those same ten years. The S&P experienced a roughly 2% average return in each of the three fourth quarter months in this setup for an avg/med fourth quarter return of 7.00/5.83%. Three of the years (1985, 1999 and 2003) experienced 10% fourth quarters.

The 4 th Quarter Monthly S&P's When the Three Tenors Sing In 2013 Style Tones									
		FIRST 3 QUARTERS			4 TH QUARTER S&P MONTHLYs				
#	YEAR	S&P%	FTSE%	NIKKEI%	OCT%	NOV%	DEC%	4THQTR%	
0	2013	17.77	9.57	39.06	?	?	?	?	
1	1988	12.40	4.69	39.86	2.60	-1.89	1.47	2.14	
2	1999	19.53	17.81	36.79	6.25	1.92	5.77	14.54	
3	1986	14.62	18.86	42.61	5.47	2.15	-2.83	4.69	
4	2005	2.98	16.71	40.24	-1.77	3.52	-0.11	1.57	
5	2012	13.41	5.84	22.94	-1.98	0.28	0.71	-1.01	
6	2003	26.38	13.62	24.45	5.50	0.71	5.08	11.64	
7	2006	13.64	10.71	6.92	3.15	1.65	1.26	6.17	
8	2009	23.45	22.07	19.04	-1.98	5.74	1.78	5.49	
9	1985	26.33	15.42	13.61	4.25	6.51	4.51	16.04	
10	2004	8.99	7.54	7.61	1.40	3.86	3.25	8.73	
					#UP-DN =	7 3	9 1	8 2	9 1
					AVG%CHG=	2.29	2.44	2.09	7.00
					MED%CHG=	2.87	2.03	1.62	5.83

As I peruse these, and other similar studies, I can't help but reflect additionally upon the fact that my personal 'Sell in May' time period runs out on October 27th, at which time my official 'Buy in Fall' period begins. I'll have more on what history suggest should be in store from that perspective by mid October as we mustn't count our eggs, before they hatch.

October Commodity Summary Sample

Below is a one page sample of commodity studies which my subscribers received in their October Overview. They also receive weekly updates, pursuant to how the month evolves.

ENTIRE MONTH				WORSE PERIOD PERFORMANCE			BEST PERIOD PERFORMANCE		
#UP-#DN	AVG%	MED%		TIMEFRAME	#UP-#DN	AVG%	TIMEFRAME	#UP-#DN	AVG%
S&Ps	18-12	0.59	1.44	1020-1027	13-17	-0.93	1009-1031	22-08	1.20
NASDAQ	16-14	0.31	1.94	1001-1009	14-16	-1.18	1009-1031	21-09	1.53
FTSE	21-07	0.67	2.32	1014-1026	12-16	-1.65	0931-1017	21-07	1.01
NIKKEI	14-16	-0.92	-0.27	1005-1027	14-16	-1.74	1010-1018	19-11	0.71
TBDYLD	15-15	0.18	-0.42	1017-1031	12-18	-1.15	1004-1014	20-10	1.67
GOLD	12-18	-1.30	-0.49	1008-1031	10-20	-1.70	1003-1010	18-12	0.47
OIL	12-15	-2.40	-1.09	1013-1031	10-17	-2.52	1006-1014	19-08	1.60
CORN	16-14	1.35	0.45	1013-1028	12-18	-0.26	1007-1014	21-09	1.66
WHEAT	17-13	0.01	1.22	1021-1031	10-20	-0.78	1004-1025	18-12	1.52
SOYBNS	16-14	0.67	0.56	0931-1007	07-23	-1.29	1004-1025	20-10	2.02
COFFEE	20-10	2.61	2.45	1011-1024	10-20	-0.45	1003-1031	19-11	2.81
DOLLAR	11-19	-0.26	-0.52	1004-1030	09-21	-0.43	1018-1026	16-14	0.30
POUND	15-15	0.28	0.14	1001-1011	09-21	-0.38	1012-1030	18-12	0.52

January Soybeans in the First Week of October 7-23

January Soybean futures are 7-23 over the last 30 years and have been negative the last six.

January Soybean Futures from Sept 31 through October 7					
YEAR	%CHG	YEAR	%CHG	YEAR	%CHG
1983	-2.45	1993	-3.03	2003	1.61
1984	0.01	1994	-1.60	2004	0.10
1985	-1.80	1995	-0.87	2005	-1.24
1986	-3.34	1996	-3.22	2006	2.74
1987	2.23	1997	6.52	2007	-4.82
1988	-2.73	1998	2.20	2008	-11.41
1989	-0.30	1999	-0.20	2009	-1.80
1990	-0.20	2000	-1.05	2010	-3.66
1991	-1.79	2001	-0.39	2011	-1.64
1992	-2.24	2002	-1.08	2012	-3.23
#UP-DN= 7-23		AVG%CHG= -1.29		MED%CHG= -1.42	

In a separate developing story, the British Pound has been down between Oct 1st and Oct 11th, in thirteen of the last 14 years.

The Wayne Whaley Story

Wayne Whaley, CTA, earned a B.S. degree in Mathematics from Jacksonville State University in 1979 and received a Masters Degree in Operations Research in 1981 from the Georgia Institute of Technology, where he received his first exposure to the mathematical modeling of probabilistic models. His graduate work exposed him to Optimization Theory, Time Series Analysis, Game Theory, and Simulation Techniques, all of which have played a role in his approach to the development of the various crystal balls he utilizes in his commodity analysis.



After Wayne's formal education, he migrated to Huntsville, AL, where he was employed from 1981-1993 as a system analyst for two different defense contractors. Given his fondness for bean counting, Wayne developed a sideline interest in the mathematical modeling and trading of the S&P 500. He comments, he was particularly drawn to the idea of receiving a daily report card based on trading, with no one to thank, or blame, but himself. In 1993, he decided to take a shot at converting his hobby into a career and accepted an entry level research analyst position with Witter & Lester, a Huntsville, Al. based CTA.

Wayne became a partner at Witter & Lester in 1999. He now trades the company's assets, but still considers his primary role as that of the research department. He relies upon as much as 30,000 lines of self developed computer code to aid him in his daily trading decisions. The models rely on their ability to take an electronic snapshot of various indicator's characteristics, identifying all similar instances in the past, and summarizing any aberrant results for the user, an approach many have come to label as pattern recognition.

Over the last three years, Wayne has been converting, what he considers to be the best of his S&P models, to a daily evaluation of 13 different commodity indexes and he is coming to terms with the fact that his 20 years of S&P research may have simply served as a training ground for what he expects to do in the commodity arena over the next decade. He notes the first official year (2013) of his commodity trading program has exceeded his expectations and he will be producing documentation outlining the evolution of that process soon. Wayne suggest that having a better feel for the whole Ball of Wax, has enhanced his S&P trading skills as well. For example, he suggests, given current correlations, you really don't want to be long the S&Ps, if the alignment of the stars is very constructive for Gold and the Aqs, and he adds it's kind of neat when the global equity market tea leaves all have a similar flavor.

Wayne enjoys spinning a tale and confesses that 20 years of reading Alan Abelson may have influenced his writing style. He has been published in all the usual suspects, is widely circulated in cyber space, and his weekly commentary is available per subscription, as are three very successful trading programs. Mr. Whaley was the recipient of the 2010 Charles Dow Award from the Market Technicians Association for his research paper, '*Planes, Trains, & Automobiles, a Survey of Momentum Thrust Signals*'. wayne@witterlester.com

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