

# TABELL'S MARKET LETTER

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April 12, 1991

It occurred to us recently that we now find ourselves just over 18 months away from an election, yet there has been precious little media comment regarding presidential politics, a phenomenon not unrelated, we suppose, to President Bush's standing in the polls. As time goes on, there will, undoubtedly, emerge much discourse on the stock market's behavior in election years, so we are, with this discussion, getting our licks in early.

The table at left shows the percentage change in the DJIA for each election year, and the three years following it, in this century. An apparent upward bias in the third year after an election (such as 1991) and in the election year itself (such as 1992) has been noted. Indeed, the Dow has been up in 17 of 22 pre-election years and in 16 of 23 election years. The mean change has been 9.3% in election years and 10.5% in pre-election years, well above the overall mean of 6.96%.

When standard tests of statistical significance are applied, though, these results are less than surprising. It must be remembered that, of the 91 years in the table, 56 have been up and only 35 down. There exists, therefore, a fair degree of probability, well over 10%, as a matter of fact, of selecting from this group, a 17-up, 5-down sample. Likewise, since the variability of the figures is wide (The standard deviation, for those interested in such things, is 22.6%), the selection of a sample with a 10.5% mean is not at all improbable.

There is more significance, although a great deal less apparent justification, for the pattern shown in the table below, the so-called decennial pattern first noted by Edgar Lawrence Smith. The table shows the changes for years ending in each of the digits zero through nine, and the fact that all years in this century ending in five have been up, usually by substantial amounts, has been often remarked. There is a less than 2% probability

that this could have occurred purely by chance, and a probability of less than 0.1% that a sample of nine items with a mean of 34.74%, almost five times the population mean, could have been drawn. There also appears to be some minor significance attached to an upward bias for years

Years/+	0	1	2	3
1900	7.00	-8.71	-0.40	-23.61
1904	41.72	38.20	-1.92	-37.73
1908	46.63	14.97	-17.86	0.40
1912	7.57	-10.35	-5.42	81.66
1916	-4.19	-21.71	10.51	30.45
1920	-32.90	12.72	21.74	-3.25
1924	26.16	30.00	0.34	28.75
1928	48.22	-17.17	-33.77	-52.67
1932	-23.07	66.69	4.14	38.53
1936	24.82	-32.82	28.06	-2.92
1940	-12.72	-15.38	7.61	13.81
1944	12.09	26.65	-8.14	2.23
1948	-2.13	12.88	17.63	14.37
1952	8.42	-3.77	43.96	20.77
1956	2.27	-12.77	33.54	16.76
1960	-9.34	18.71	-10.81	17.00
1964	14.57	10.88	-18.94	15.20
1968	4.27	-15.19	4.82	6.11
1972	14.58	-16.58	-27.57	38.32
1976	17.86	-17.27	-3.15	4.19
1980	14.93	-9.23	19.60	20.27
1984	-3.74	27.66	22.58	2.26
1988	11.85	26.96	-4.34	
Average	9.34	4.58	3.57	10.50
Years Up	16	11	12	17
Years Down	7	12	11	5

Year/+	0	1	2	3	4	5	6	7	8	9
1900	7.00	-8.71	-0.40	-23.61	41.72	38.20	-1.92	-37.73	46.63	14.97
1910	-17.86	0.40	7.57	-10.35	-5.42	81.66	-4.19	-21.71	10.51	30.45
1920	-32.90	12.72	21.74	-3.25	26.16	30.00	0.34	28.75	48.22	-17.17
1930	-33.77	-52.67	-23.07	66.69	4.14	38.53	24.82	-32.82	28.06	-2.92
1940	-12.72	-15.38	7.61	13.81	12.09	26.65	-8.14	2.23	-2.13	12.88
1950	17.63	14.37	8.42	-3.77	43.96	20.77	2.27	-12.77	33.54	16.76
1960	-9.34	18.71	-10.81	17.00	14.57	10.88	-18.94	15.20	4.27	-15.19
1970	4.82	6.11	14.58	-16.58	-27.57	38.32	17.86	-17.27	-3.15	4.19
1980	14.93	-9.23	19.60	20.27	-3.74	27.66	22.58	2.26	11.85	26.96
1990	-4.34									
Average	-6.65	-3.74	5.03	6.69	11.77	34.74	3.85	-8.21	19.76	7.88
Years Up	4	5	6	4	6	9	5	4	7	6
Years Down	6	4	3	5	3	0	4	5	2	3

ending in eight, and a downward bias for those years ending in zero. Since 1990 has just passed, however, and 1995 is a ways away, these figures are, at the moment, only of academic interest.

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Dow Jones Industrials (12:00) 2901.48  
S & P 500 (12:00) 377.58  
Cumulative Index (4/11/91) 6045.08

AWT:jb

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