



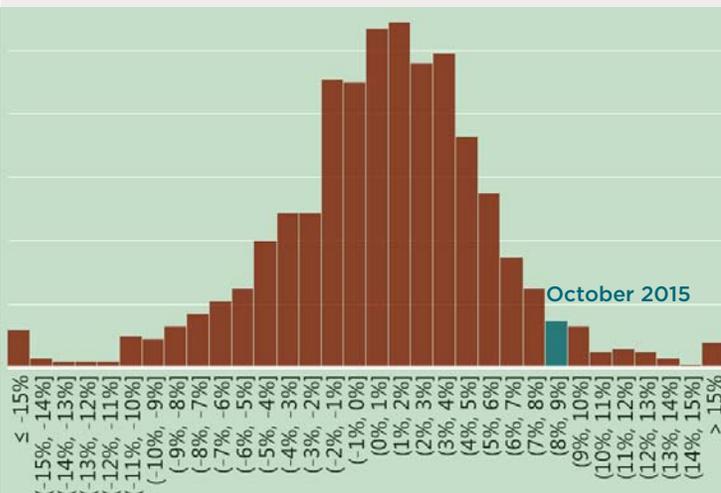
Hunt for Black October.

The S&P 500 Index of large cap domestic stocks rose 8.4% during October. That one-month mark ranked in the top 5% of all months since 1924 and was the seventh best October ever. It was also the best month since October 2011 which posted 10.9%.

This welcome reprieve followed consecutively challenging August (-4.3%) and September (-2.5%) and brought cumulative return into the black for the year at 4.6% and for the quarter at 1.2%.

Super month. To see how October 2015 compared to prior months, Hawk100 prepared the below chart showing monthly returns distributed over 90 years.

We then examined the periods surrounding months when the S&P returned at least 8% (“super months” that placed in the top 5% of all months). We took a similar approach when writing October 2011 “Stocks Bounce Back.”



Monthly Return Distribution S&P 500, 1925-2015. Source S&P.

These super months returned an average 12.2%. They averaged losses in preceding months (-1.4%) and gains in the subsequent quarters (2.0%) and next years (11.2%). The subsequent quarter average essentially equaled the average for all quarters (2.2%). The next year average significantly bested the historic average for annual return (7.4%). Also, past super months have been followed by better than average years almost 60% of the time. Super months appeared to have staying power, followed by periods of at least average performance, which could support a bullish forward looking view.

All Black October. Nearly every equity market around the globe rose during October and many gains outpaced the US.

Advancing the Trans-Pacific Partnership (TPP) trade agreement through US policy circles helped Asian markets perform best. The S&P Asia Index rose over 10.0% and advances were widespread. Indonesia stocks took the global prize by rising 15.9%. New Zealand Kiwis bid stocks up 13.7% to nearly match the performance of their beloved All Blacks who brought home another Rugby World Cup Championship October 31. China, Hong Kong, Japan, and Singapore also beat US stocks during October. Reduced trade barriers, as through TPP, have elevated all nations.

The MSCI EMU (Eurozone) Index gained 8.6% though advances were focused in fewer countries. European markets that joined the October fun include Turkey which rose 11.5% to lead those Europe while its parliamentary elections overturned the fractured results from June elections and solidified support for Recep Tayyip Erdoğan’s AKP party. As is common, investors rewarded stability.

By Richard Clemens, CFA CPA, President
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