

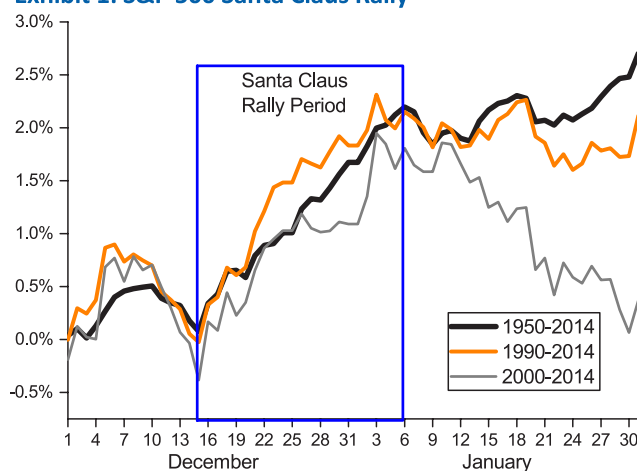
# Santa Claus Rally - Santa Arrives Early & Stays Late

## Thackray's Seasonal Trade (Dec 15th to Jan 6th)

**Brooke Thackray**, CFP, CIM, Research Analyst, Horizons ETFs Management (Canada) Inc.

Every year, investors wait for Santa Claus to come to town. They often get rewarded, but many leave with small returns because they focus on the shorter *Santa Claus Rally* strategy that many investment pundits have traditionally defined as the two or three days before and after Christmas. However, the best way to get the gift of Christmas is to be in the stock market earlier than the start date of the traditional *Santa Claus Rally* strategy and stay in the stock market later. The extended *Santa Claus Rally* strategy, "*Santa Arrives Early & Stays Late*" takes advantage of the stock market's tendency to perform well from December 15th to January 6th. This seasonal trend has been persistent over time (Exhibit 1).

**Exhibit 1: S&P 500 Santa Claus Rally**



Source Data: Bloomberg

The positive performance of the strategy is mainly driven by the tendency of investors to push up the price of stocks in the second half of December, once negative pressures from tax-loss selling have abated. Investors tend to sell losing stock positions towards the year-end in order to offset any capital gains that have been generated during the year. Most of the tax-loss selling takes place in the first half of the December, creating an ideal seasonal opportunity to enter into the stock market in the second half of the month.

In addition, the stock market also tends to rally during the days after Christmas and into the beginning of January, as it benefits from the end-of-month effect of positive money flows in the last few days of the month and the first few days of the next month. This tends to be the best time of the month to be invested in the stock market: and at the end of the year there is an extra benefit with the stock market getting a boost from money managers locking in their positions for the year ahead.

The *Santa Arrives Early & Stays Late* strategy starts on December 15th and ends January 6th. This Christmas strategy using the S&P 500® from 1950 to 2014 has, on average, produced a gain of 2.0% and has been positive 78% of the time. Considering that the strategy has averaged only 15 trading days, it has produced very strong results (Exhibit 2).

**Exhibit 2: Santa Claus Rally - Dec 15th to Jan 6th**

1950 - 2014			
	% Gain	% Fq Pos	% Fq > S&P500
S&P 500	2.0	78	--
1971 - 2014			
	% Gain	% Fq Pos	% Fq > S&P500
S&P 500	2.3	77	--
Nasdaq	3.0	77	70
1977 - 2014			
	% Gain	% Fq Pos	% Fq > S&P500
S&P 500	2.0	76	--
Nasdaq	2.8	74	71
TSX Composite	2.7	82	61

Source Data: Bloomberg

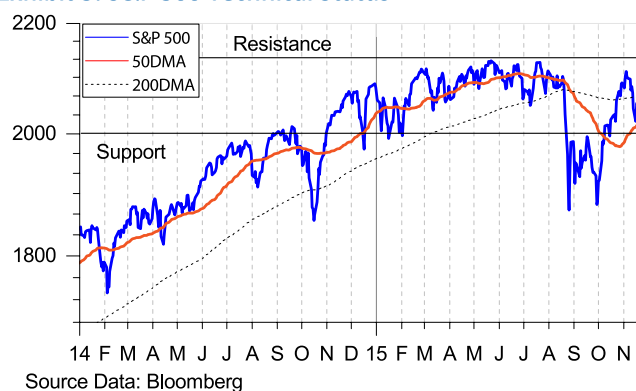
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The *Santa Arrives Early and Stays Late* strategy has even better results using the Nasdaq than with the S&P 500®. From December 15th to January 6th, during the period from 1971 to 2014, the Nasdaq has produced an average gain of 3.0% and has been positive 77% of the time.

This compares to the S&P 500® over the same time period which has produced an average gain of 2.3% and has been positive 77% of the time. The icing on the Christmas cake is that over the same time period, the Nasdaq has outperformed the S&P 500® 70% of the time.

The good news for Canadian investors is that, historically, Santa has been generous to the S&P/TSX Composite. From December 15th to January 6th, during the period from 1971 to 2014, the S&P/TSX Composite has produced an average gain of 2.7%, has been positive 82% of the time and outperformed the S&P 500® 61% of the time.

Exhibit 3: S&P 500 Technical Status



Technically, the S&P 500® is poised to perform well during the period of the *Santa Arrives Early & Stays Late* strategy, as it is currently in a trading channel between support and resistance (Exhibit 3). The target level for the S&P 500® is the May high of 2131. Although the *Santa Arrives Early & Stays Late* strategy does not work every year, it has a strong track record of success. If investors are looking for a short term opportunity to finish the year, it is a strategy worth considering.

To learn more, please visit [www.HorizonsETFs.com/HAC](http://www.HorizonsETFs.com/HAC)



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