



Market Trading Like It's 1995

With the first half of 2017 nearly complete, *investors really have gotten off easy in 2017*. Inundated with headlines about scandals involving officials at all levels in Washington, stocks have seemingly done nothing but go up as the S&P 500 has 24 all-time closing highs since the year started. The worst sell-off the S&P 500 has seen from a closing basis this year was a 2.8% decline over 32 trading days from March 1st through April 13th. Maybe we're getting old, but we can remember the days back in 2007 and 2008 when 2.8% declines were common in a single day. At one point over a 50-trading day period in 2008, the S&P 500 averaged an absolute daily change of 4.00%!



2017 has been so easy on the bulls, in fact, that *the only other year in the S&P 500's history that saw a smaller maximum drawdown in the first half of the year was 1995*. The table below lists the 17 years, including this one, since 1928 where the S&P 500's maximum drawdown from a closing high in the first half of the year was 5% or less (sorted by smallest drawdown to largest, charts of each prior year are shown on pages two and three). For each year, we have also included the S&P 500's return during the first half of the year as well as the maximum drawdown for the S&P 500 and its performance during the second half.

What really stands out in the results shown at right is that in years where the S&P 500 saw steady gains in the first half of the year with smaller than average pullbacks, *the second half of the year also generally saw smaller than average drawdowns*. Of the 16 prior years shown, the S&P 500 averaged a maximum drawdown of 6.3% in the second half, which is well below the average 12.2% decline for all years. Additionally, all but three years shown saw smaller drawdowns than the median of 8.9% for all years.

In terms of market performance in the second half following a first half with below average drawdowns, returns were also better than average. In the sixteen years shown, the S&P 500 averaged a gain of 7.8% in the 2nd half with positive returns 81.3% of the time. That's twice the 3.9% average second half return for the S&P 500 in all years and also more consistent than the 66.3% frequency of second half gains for all years. While there are always exceptions (2015), *markets that start the year steady have tended to finish steady as well*.

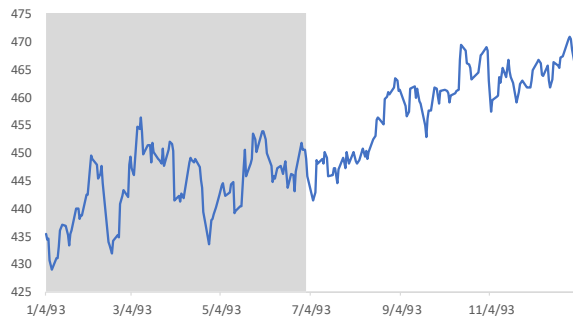
S&P 500 Smallest First Half Drawdowns: 1928 - 2017

Year	First Half		Second Half	
	Max Drawdown (%)	% Change	Max Drawdown (%)	% Change
1995	-1.7	18.6	-2.5	13.1
2017	-2.8	9.2		
1964	-3.1	8.9	-3.5	3.7
1954	-3.6	17.7	-4.4	23.2
1963	-3.6	9.9	-6.5	8.1
2015	-3.6	0.2	-12.2	-0.9
1985	-3.7	14.7	-7.7	10.1
1989	-4.2	14.5	-7.6	11.1
1961	-4.3	11.2	-3.9	10.7
1958	-4.4	13.1	-4.2	22.0
1959	-4.4	5.9	-9.2	2.4
1996	-4.6	8.9	-7.3	10.5
1983	-4.6	19.5	-6.6	-1.9
1976	-4.7	15.6	-8.4	3.0
1986	-4.9	18.7	-9.4	-3.5
1972	-4.9	4.9	-5.1	10.2
1993	-5.0	3.4	-2.6	3.5
Average		11.5	-6.3	7.8
Median		11.2	-6.5	9.1
% of Time Positive				81.3
All Years				
Average	-11.2	3.7	-12.2	3.9
Median	-9.2	5.0	-8.9	4.8
% of Time Positive		64.4		66.3

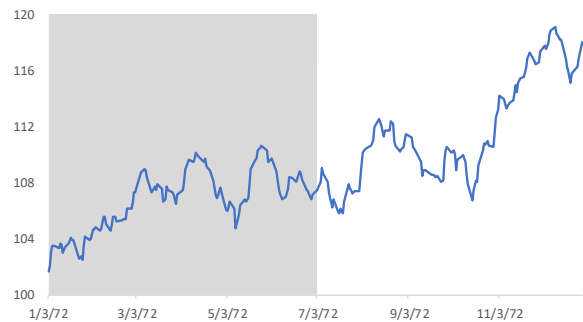
Better second half returns compared to all years since 1928.



S&P 500: 1993



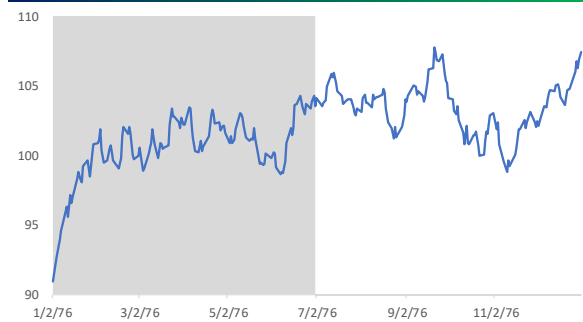
S&P 500: 1972



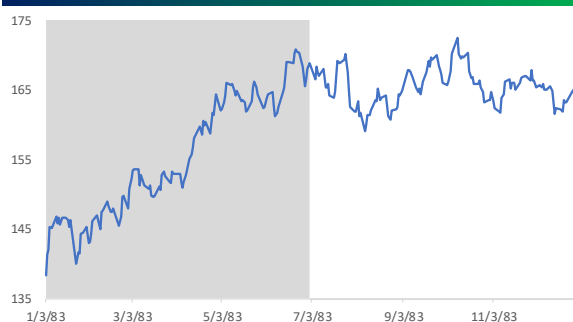
S&P 500: 1986



S&P 500: 1976



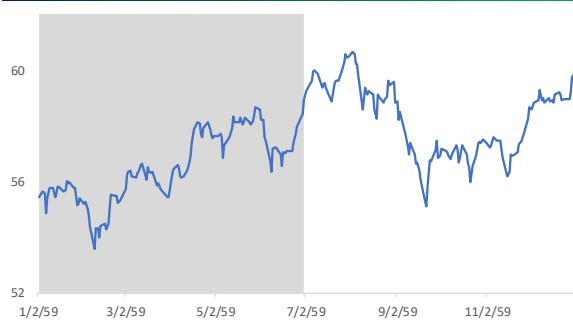
S&P 500: 1983



S&P 500: 1996



S&P 500: 1959

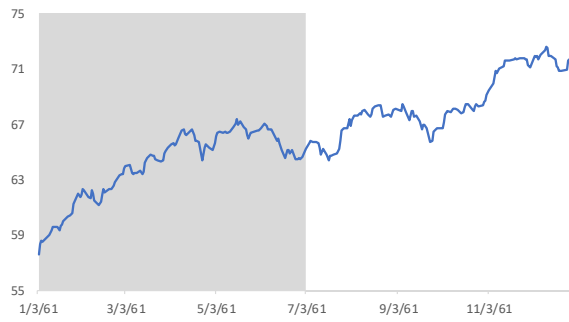


S&P 500: 1958

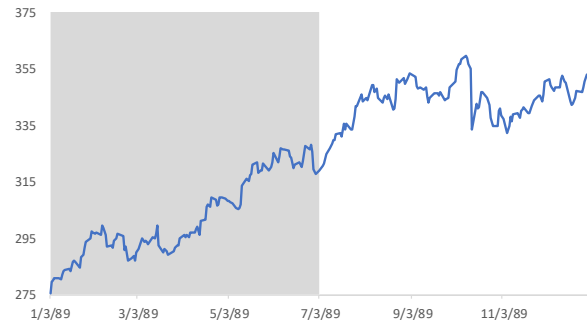




S&P 500: 1961



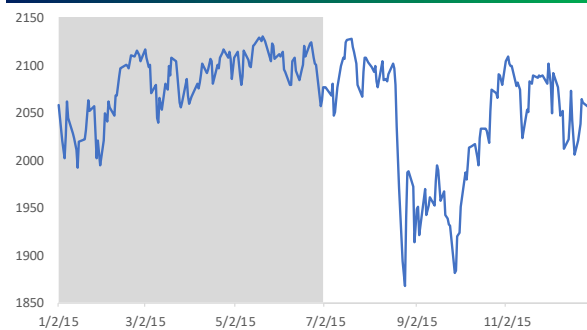
S&P 500: 1989



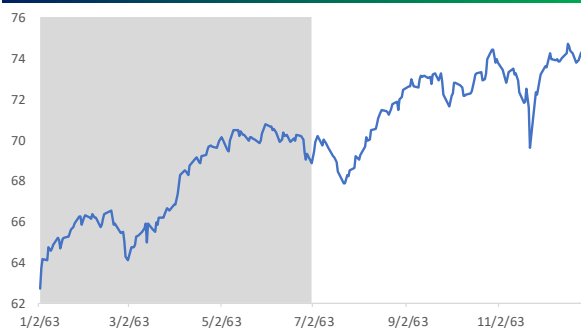
S&P 500: 1985



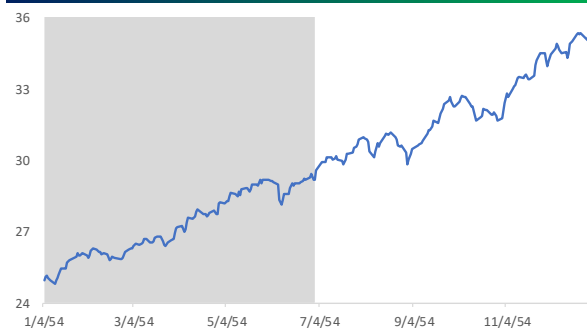
S&P 500: 2015



S&P 500: 1963



S&P 500: 1954



S&P 500: 1964



S&P 500: 1995

