BIANCO RESEARCH, L.L.C.
AN ARBOR RESEARCH & TRADING, INC. AFFILIATE
1000 HART ROAD • SUITE 250 • BARRINGTON, ILLINOIS 60010
E-MAIL: jbianco@biancoresearch.com • WEB SITE: www.BiancoResearch.com
TOLL FREE 800-876-1825 • PHONE 847-304-1511 • FAX 847-304-1749
James A. Bianco, CMT

Volume, 6 No. 15 Last Market Facts: October 3, 2001

MARKET FACTS

A Historical Look At The Markets
October 24, 2001

Does the "October Bottom" Theory Work? 2001 Update

The study

We examined the three most commonly followed stock market averages to see what each does after a decline of at least 10% from a September closing high to an October closing low. We show the year 2001 with the lowest close through October 22.

Note that in 2001 the DJIA and the NASDAQ did have an October close more than 10% below its September high. However, the S&P 500 did not (its October low was 8.84% below its September high). This is reflected in the tables below.

Key points

- The public is correct in their assessment that an October bottom is a buying opportunity - especially since 1945.
- Since WW2, there is virtually no downside in from the final low in October through the end of the year. The **major** exception to this was the NASDAQ in 2000.

What does it mean?

- Unless "this time is different," historical odds favor a decent rally into year-end.
- If stocks continue to materially sink into November and December, the only precedents are 1929-1932 and the NASDAQ in 2000. In both cases, the market sank significantly the following year. Not good!!
- A similar study on bonds proved inconclusive.

Dow Jones Industrial Average

Year	September High	October Low	% Decline High to Low	% Change October Low to Nov./Dec. High	% Change October Low to Nov./Dec. Low	% Change October Low to Year End
1901	73.27	63.72	-13.03	4.39	-3.45	1.32
1903	**52.75**	**42.25**	**-19.91**	**16.80**	**-0.24**	**16.24**
1907	73.89	57.23	-22.55	7.93	-7.39	2.66
1917	**86.02**	**74.50**	**-13.39**	**-0.16**	**-11.48**	**-0.16**
1926	166.10	145.66	-12.31	10.36	3.33	7.92
1929	**381.17**	**230.07**	**-39.64**	**13.97**	**-13.64**	**8.00**
1930	245.09	183.35	-25.19	3.79	-14.09	-10.24
1931	**140.13**	**86.48**	**-38.29**	**35.05**	**-14.67**	**-9.92**
1932	79.93	58.47	-26.85	16.35	-4.38	3.06
1933	**105.74**	**84.38**	**-20.20**	**20.93**	**6.21**	**16.94**
1937	173.08	125.73	-27.36	8.12	-9.62	-3.88
1955	**487.45**	**438.59**	**-10.02**	**11.36**	**3.72**	**11.36**
1957	486.13	419.79	-13.65	7.17	1.40	3.79
1974	**677.88**	**584.56**	**-13.77**	**15.43**	**-1.19**	**5.42**
1978	907.74	792.45	-12.70	4.47	-0.91	1.58
1987	**2,613.04**	**1,738.74**	**-33.46**	**15.84**	**1.61**	**11.51**
1990	2,628.22	2,365.10	-10.01	11.50	3.21	11.36
1997	**7,996.83**	**7,161.15**	**-10.45**	**13.80**	**3.35**	**10.43**
2000	11,310.64	9,975.02	-11.81	10.05	3.45	8.14
2001	**10,033.27**	**9,975.02**	**-11.92**	**????**	**????**	**????**
Average			**-19.33**	**11.96**	**-2.88**	**5.03**
Since 1945			-14.20	11.20	1.83	7.95

S&P 500

Year	September High	October Low	% Decline High to Low	% Change October Low to Nov./Dec. High	% Change October Low to Nov./Dec. Low	% Change October Low to Year End
1929	31.83	20.43	-35.82	11.99	-13.56	4.99
1930	**21.86**	**16.90**	**-22.69**	**1.78**	**-14.56**	**-9.23**
1931	13.92	9.10	-34.63	25.82	-15.16	-10.77
1932	**9.31**	**6.60**	**-29.11**	**16.36**	**-1.97**	**4.85**
1933	11.23	8.61	-23.33	19.63	5.92	15.80
1937	**15.61**	**11.10**	**-28.89**	**10.09**	**-8.38**	**-4.95**
1946	15.99	14.12	-11.69	9.77	0.07	8.36
1955	**45.63**	**40.80**	**-10.59**	**13.75**	**3.63**	**11.47**
1957	45.44	38.98	-14.22	7.03	1.03	2.59
1974	**71.42**	**62.28**	**-12.80**	**20.76**	**4.38**	**10.08**
1978	106.99	93.15	-12.94	4.69	-0.71	3.18
1987	**323.38**	**225.06**	**-30.40**	**13.63**	**-0.53**	**9.79**
1998	1,066.09	959.47	-10.00	29.43	15.78	28.12
2000	**1,520.77**	**1,329.78**	-12.56	**7.70**	**-4.89**	**-0.71**
Average			**-20.69**	**13.75**	**-2.07**	**5.26**
Since 1945			-14.40	13.35	2.35	9.11

NASDAQ Composite

Year	September High	October Low	% Decline High to Low	% Change October Low to Nov./Dec. High	% Change October Low to Nov./Dec. Low	% Change October Low to Year End
1978	139.25	111.12	-20.20	7.23	-0.22	6.17
1979	**150.65**	**132.61**	**-11.97**	**13.97**	**1.15**	**13.97**
1987	452.50	291.88	-35.50	14.15	0.36	13.22
1990	**382.44**	**325.44**	**-14.90**	**14.87**	**1.59**	**14.87**
1998	1,760.20	1,419.10	-19.38	54.51	26.02	54.51
2000	**4,234.30**	**3,074.60**	**-27.39**	**12.26**	**-24.13**	**-19.65**
2001	1,770.78	1,480.46	-16.40	????	????	????
Average			**-20.82**	**19.50**	**0.795**	**13.85**

Data Source: Logical Information Machine