MONEY & INVESTING

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Ahead of the Tape

- Today's Market Forecast -
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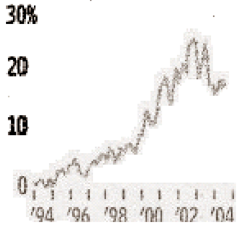
Day Flipper

The Fed looks set to raise rates again and profit growth is starting to slow. But who has time for such intricacies when there is the presidential-election cycle to consider?

For the uninitiated few who may toil in the belief that earnings, interest rates and prices are the fundamental factors an investor should consider when putting money into the stock market, here is a refresher.



Source: Hillsdale Investment Management

Historically, this month is the market's worst, with the Dow Jones Industrial Average losing an average of 1.1% each September since 1950. But when it is an election year, September isn't so bad, posting gains in seven of the past 10 campaigns.

Not satisfied with buying just because it is September during an election year?

Some traders are excited because the Standard & Poor's 500-stock index has risen above its 200-day moving average. The drop in oil prices also is favorable – not so much because it puts the global economy on better footing, but because crude has come to be seen as a proxy for investment risk in the world.

So why is Wall Street trying to uncover the market's Rorschachs? Hang it on a deterioration in time horizons.

According to Arun Kaul, principal at **Hillsdale Investment Management**, 21% of the stocks in the S&P 500 have trading volume that over a six-month period would equal or exceed the number of shares available for trading.

The rate of turnover isn't as high as it was during 2002, when many investors were exiting the market, but it exceeds anything seen in the 1990s. March 2000 is seen as the pinnacle of stock-market excess, rife with people quitting their day jobs to day trade, but only 16% of the stocks in the S&P then were trading fast enough to run through their market floats in six months' time.

Brett Gallagher, head of U.S. equities at Julius Baer Investment Management, reckons that this shift toward short-termism is being driven by portfolio managers who are under increasing pressure to meet or beat performance benchmarks, quarter in, quarter out.

For individual investors willing to take advantage of it, this may represent a competitive advantage.

"The advantage you have in your personal account is that you can actually look long term, rather than trying to beat supposedly smart people who are trying to get it right for this month or this week or whatever," Mr. Gallagher says.

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