

Amid Inflation, Rate Cuts and Global Unrest, Will Santa Deliver for 2024?

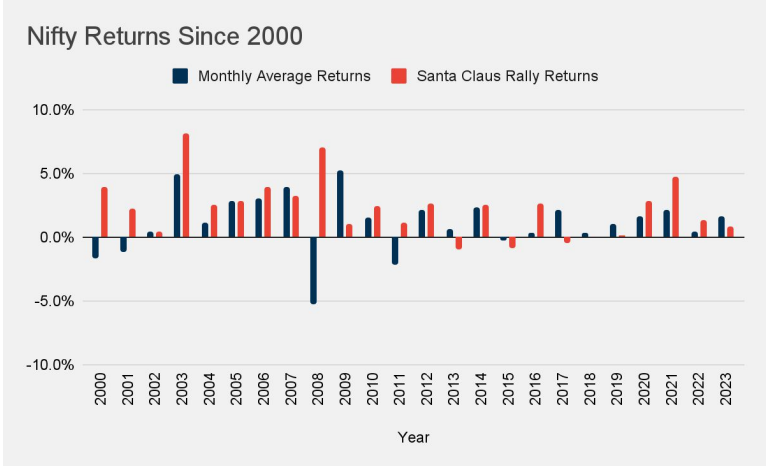
What is the Santa Claus Rally and January Effect?

- A **Santa Claus** rally is a seasonal phenomenon that involves a **rise** in stock prices during the **last 5 trading days** in December and the **first 2 trading days in the following January**. It refers to the jump in stock prices in the week between Christmas and New Year's Day.
- Since 1950, the S&P 500 has gained an average of 1.3% during Santa Claus rally periods, according to The Stock Trader's Almanac.
- This phenomenon is usually discussed during the early weeks of December as people start to feel more optimistic about the upcoming year.
- The **January effect** is a hypothesis that there is a seasonal anomaly in the financial market where securities' **prices increase in the month of January** more than in any other month.

Factors behind Santa Claus Rally

- Fund managers rebalancing their portfolios before the year end.
- Increased investor purchases in anticipation of the rise in stock prices during the month of January along with general feeling of optimism and happiness on Wall Street.
- Lighter volume due to holiday vacations makes it easier to move the market higher.
- A slow down in tax-loss harvesting that depresses prices at the beginning of December.

Evidence from the Market



Index	Monthly	Santa Claus Rally	# of +ve Returns out of 24
S&P 500	0.58%	0.75%	16
HANGSENG	0.23%	1.63%	18
NIFTY	1.11%	2.25%	21
CAC40	0.20%	1.20%	17
FTSE100	0.14%	1.01%	18
DJI	0.55%	0.74%	18

- Historical data shows that American markets are more likely to post positive returns during the Santa Claus Rally. Building on this trend, we analyzed Indian and other major equity markets to identify similar patterns. While past performance is no guarantee of future results, the data strongly suggests that rallies during this period are more frequent.
- Since 2000, Nifty's average return during the Santa Claus Rally is 2.25%, compared to its monthly average of 1.11%, with negative returns only three times in 24 years.
- The Indian markets are feeling the heat this December, with the Nifty index posting negative returns of 2.25% so far. Yet, an impressive 8.5% YTD gain in 2024 keeps the festive optimism alive. Will the Santa Claus Rally bring a festive turnaround? Let's wait and watch!

Source:- Wikipedia, Investopedia, Yahoo Finance