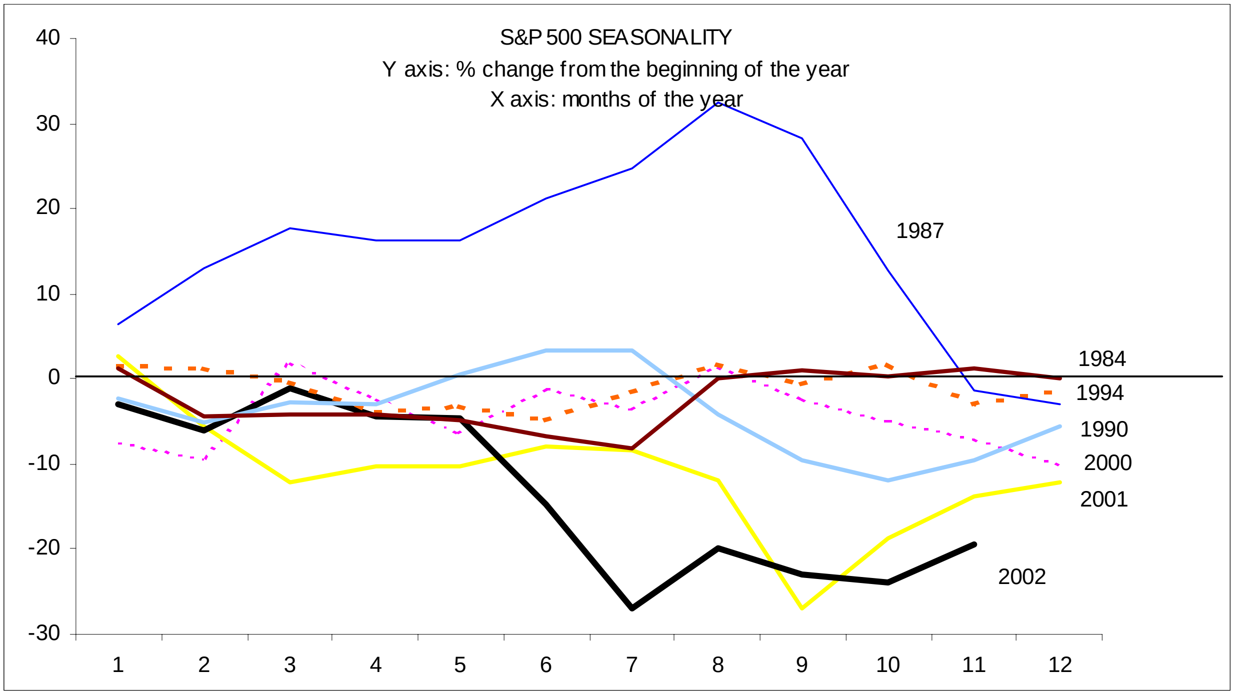
UNIQUE FEATURE OF MARKET SEASONALITY



A unique pattern caught my attention as I was reviewing the seasonality of the S&P 500. This is what I found.

*At least since 1984, in the years when the market had little or no gains, stocks performed poorly during the **first 5-6 months of that year**. The only **exception** to this pattern was 1987.*

In 1987 the market rose sharply in the first half. Rising interest rates from 5.18% in 1986 to 6.40% in September 1987, however, caused the market to end the year with a loss. The unfavorable seasonal months and rising interest rates decimated stocks.

What is the market outlook for 2003? We will track its performance and compare it to the action of previous years as shown in the above chart.

If the market is weak in the first 4-5 months of the year, the odds favor a lower market for the whole year. If the market begins 2003 on a strong note, the odds point to rising stocks for the whole year, assuming short-term interest rates do not start rising in the early part of the year – which is highly unlikely.

The above graphs will be updated in each issue of *The Peter Dag Portfolio Strategy and Management* available twice a month on our website **www.peterdag.com**.

Warning: in 2003 the months from June to September are high-risk months.

11/30/2002