Two of the Best "End of Year" Opportunities to Consider Now

It's time to think about year-end strategies.

Seasonal trading theories are a dime a dozen.

- The first half of the year tends to bring better returns than the second half.
- Dow Jones Industrial Average stocks whose price was beaten down in the previous year have a tendency to outperform the rest of the DJIA in the following year.
- There's even the theory that markets in the northern and southern hemispheres predictably succumb to the winter blues, or Seasonal Affective Disorder.
- There's the January Effect – that expected time of year when tax conscious investors sell stocks to write off losses against capital gains. The "tax sell-off" would depress stock values lower until buyers came back in early January.
- There's the "Sell in May and go away" idea that hasn't worked so well.

And while some are ridiculous and unworthy of attention, we have two favorites, including the "Dogs of the Dow" and the "New Year's Resolution".

The Dogs of the Dow 2019

With the Dogs of the Dow, you're simply buying the highest yielding 10 Dow Jones stocks that fell out of favor, investing an equal amount in each, liquidating by January 1 of the following year, and repeating for nearly predictable rewards.

Even better, it's easy to use, and it performs well.

The way you pick the Dogs is very simple.

When the year starts, look at the top 10 yielding dividend stocks in the Industrials. Invest equal amounts of money in all 10 stocks. Then, hold onto those stocks throughout the year. At the end of the year, we do it all over again.

While some, including Barron's once reported that the "Dogs of Dow Investing Strategy No Longer Works," that's not true. Others have noted that research confirmed back in 2007 that the Dogs of the Dow is no longer a successful concept.

And still others argue investors are barking up the wrong tree with the theory.

While 2007 was flat, followed by a 38.8% decline in the Dogs for apparent sub-prime reasons, the Dogs have returned a gain every year since.

In fact, in 2009, they were up 16.9%. In 2010, they jumped 20.5%. In 2011, there were up 16.3%. In 2012, they jumped 9.9%. In 2013, they returned 34.9%. In 2014, they returned 10.8%

In 2015, they did okay, returning just 2.6%. In 2016, the Dogs returned 16% on average. So, the idea that the theory is dead is laughable.

In 2017, the Dogs of the Dow returned 19% for the year.

The best way to trade the 2018 Dogs of the Dow is to diversify among all 10 trades. You can even buy call options on each. Or, if you prefer an ETF, the ELEMENTS Dogs of the Dow (DOD) ETF is excessively oversold at the moment.

New Year's Resolution

This is the time of year when we buy one beaten down diet stock and watch it jump around the time of year when Americans (about 90% of them, according to Johns Hopkins Medicine) make their New Year's resolution to lose weight, diet, and exercise more, which usually ends in passing on the resolution until next year.

We all have weight to lose. We get motivated and say next year will be different. We join the gym. We join a weight loss clinic. We're really going to do it this year.

Weight Watchers (WTW) for example has been an interesting way to trade the New Year's weight loss resolution. In fact, after a recent pullback on earnings, Weight Watchers is a great trade. We recommend buying the WTW stock at market prices, along with the WTW December 21, 2018 55 calls and the WTW January 18, 2019 55 calls at market prices.

WTW Weight Watchers Intl Inc. Nasdaq GS
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5-Nov-2018
Open 47.72 High 52.20 Low 47.41 Close 51.63 Volume 5.7M Chg +3.50 (+7.27%)
RSI(14) 32.29
WTW (Daily) 51.63
MA(50) 68.59
MA(200) 74.90
Volume 5,659,174
MACD(12,26,9) -3.323, -2.136, -1.187