

MONEY IN MOTION

January 31, 2023

As January Goes...

The ***January Barometer***, as all will know, is a long-held belief that stock market performance in the first month of the year predicts performance for the remainder of the year. It is an oft-debated hypothesis, a beguilingly simple one, and - history reveals - a highly efficacious one.

On the pages that follow you will find:

Pages 2-5:

A quick review of the ***January Barometer***: where the market stands now, with January 2023 in the books... and what's implied for the remainder of the year.

Pages 6-9:

A table of all Januarys from 1928 to 2022 featuring three columns:

- 1) January performance
- 2) Rest-of-Year performance
- 3) Full-Year performance

The **January Barometer**, as all will know, is a long-held belief that stock market performance in the first month of the year predicts performance for the remainder of the year. It is an oft-debated hypothesis, a beguilingly simple one, and- history reveals- a highly efficacious one.

To wit: we went back to 1928 and examined all month-of-January figures and all full calendar-year figures.

What we found is as follows:

The probability of a positive January is 62.5%, unconditionally.

The probability of a negative January is 37.5%, unconditionally.

The probability of a positive year is 66.3%, unconditionally.

But, if January is positive, the probability of a positive year increases to 79.3%.

The probability of a negative year is 33.0%, unconditionally.

But, if January is negative, the probability of a negative year increases to 54.1%.

And now that January 2023 is over and in the history books...

Where do we stand vis-à-vis the **January Barometer**? What do we know? What are the facts as they stand now?

Source: Worth Charting, Bloomberg, FactSet

The facts as they stand now are:

- The S&P 500 closed today at 4076.70 versus 3839.50 on December 30, 2022.
- Today was the last trading day of the month.
- The S&P 500 ended up **6.18%** for the month of January.

So, what does it really mean? What it means (see discussion below) is that, while anything can happen between now and year-end (obviously), -up big from here, down big, nothing big- the probabilities now are higher than average that 2023 will be a decent year.

What are the chances that the stock market is up in any given year?

The probability of a positive year is 66.3%, unconditionally for the S&P 500, going back to 1928.

If the month of January is **positive** (as is the case now in 2023), the full year average performance is positive 79.3% of the time.

So... the first thing we know is that the probability of 2023 being a positive year was, statistically, 66.3%... but now said probability has increased to 79.3%.

	<u>Probability of Positive Year Unconditionally</u>	<u>If January Positive, Probability of Positive Year</u>	<u>If January Positive, Probability of Negative Year</u>
SPX (1928-2022)	66.3%	79.3%	19.0%
	<u>Probability of Negative Year Unconditionally</u>	<u>If January Negative, Probability of Positive Year</u>	<u>If January Negative, Probability of Negative Year</u>
SPX (1928-2022)	33.0%	45.9%	54.1%

Source: Worth Charting, Bloomberg, FactSet

But what about Rest-of-Year returns (ROY)?

Isn't it possible, in fact is it not likely, that the losses in a bad January amounts to almost all -if not all- of the losses for the year as a whole? Put differently, if one looks at February to December performance in years when January is negative, what do the ROY (Feb to Dec) returns look like?

Source: Worth Charting, Bloomberg, FactSet

The statistics are:

Unconditionally, Rest-of-Year returns (ROY) are positive 70.1% of the time. When January is positive (as is the case for 2023)... the Rest-of-Year returns (ROY), the Feb-Dec returns are positive 77.6% of the time.

Which brings us back to the declaration made on the previous page, namely, that *"the probabilities now are higher than average that 2023 will be a decent year."*

And that is so because, ROY returns in years when January is positive is +8.6% (vs. +6.4%, unconditionally).

So... the second thing we know is:

Unconditionally... the Rest-of-Year returns (ROY), the Feb-Dec returns are +6.4% on average.
When January is positive... the Rest-of-Year returns (ROY), the Feb-Dec returns are +8.6% on average.
When January is negative... the Rest-of-Year returns (ROY), the Feb-Dec returns are +3.1% on average.

The above green text can be summarized as follows: true, a good January does not mean Rest-of-Year performance must be positive, nor does it mean Full-Year performance must be positive, but it does mean the probabilities are higher than average that 2023 will be a positive year.

So... the third thing we know is that January is predictive for the rest of the year, and does not cannibalize the full-year returns, on average. The key question is whether a good January sets up a better or worse than average remainder of the year.

The conclusion is that a positive January sets up a better than average remainder of the year.

On the pages that follow, you will find a table of all Januaries from 1928 to 2022 featuring three columns: 1) January performance, 2) Rest-of-Year performance, and 3) Full-Year performance.

Source: Worth Charting, Bloomberg, FactSet

January Performance 1928-2022... with Rest-of-Year and Full-Year performance

<u>Year</u>	<u>January Performance</u>	<u>ROY (Feb-Dec) Performance</u>	<u>Full Year Performance</u>
1928	-0.51%	38.59%	37.88%
1929	5.71%	-16.67%	-11.91%
1930	6.25%	-32.69%	-28.48%
1931	5.54%	-49.85%	-47.07%
1932	-2.22%	-12.85%	-14.78%
1933	0.29%	43.66%	44.08%
1934	12.04%	-14.95%	-4.71%
1935	-4.21%	47.58%	41.37%
1936	6.55%	20.06%	27.92%
1937	3.43%	-40.63%	-38.59%
1938	1.33%	22.92%	24.55%
1939	-6.39%	1.30%	-5.18%
1940	-3.29%	-12.20%	-15.09%
1941	-4.82%	-13.70%	-17.86%
1942	1.84%	10.40%	12.43%
1943	6.86%	11.78%	19.45%
1944	1.54%	12.07%	13.80%
1945	1.43%	28.88%	30.72%
1946	6.97%	-17.61%	-11.87%
1947	2.35%	-2.30%	0.00%
1948	-4.05%	3.54%	-0.65%
1949	0.13%	10.32%	10.46%
1950	1.55%	19.82%	21.68%
1951	6.02%	9.74%	16.35%
1952	1.56%	10.07%	11.78%

Source: Worth Charting, Bloomberg, FactSet

January Performance 1928-2022... with Rest-of-Year and Full-Year performance

<u>Year</u>	<u>January Performance</u>	<u>ROY (Feb-Dec) Performance</u>	<u>Full Year Performance</u>
1953	-0.72%	-5.95%	-6.62%
1954	5.12%	37.96%	45.02%
1955	1.81%	24.16%	26.40%
1956	-3.65%	6.50%	2.62%
1957	-4.18%	-10.58%	-14.31%
1958	4.28%	32.40%	38.06%
1959	0.38%	8.07%	8.48%
1960	-7.15%	4.50%	-2.97%
1961	6.32%	15.81%	23.13%
1962	-3.79%	-8.34%	-11.81%
1963	4.91%	13.32%	18.89%
1964	2.69%	10.01%	12.97%
1965	3.32%	5.56%	9.06%
1966	0.49%	-13.51%	-13.09%
1967	7.82%	11.38%	20.09%
1968	-4.38%	12.60%	7.66%
1969	-0.82%	-10.63%	-11.36%
1970	-7.65%	8.39%	0.10%
1971	4.05%	6.48%	10.79%
1972	1.81%	13.58%	15.63%
1973	-1.71%	-15.93%	-17.37%
1974	-1.00%	-29.00%	-29.72%
1975	12.28%	17.16%	31.55%
1976	11.83%	6.54%	19.15%
1977	-5.05%	-6.79%	-11.50%

Source: Worth Charting, Bloomberg, FactSet

January Performance 1928-2022... with Rest-of-Year and Full-Year performance

<u>Year</u>	<u>January Performance</u>	<u>ROY (Feb-Dec) Performance</u>	<u>Full Year Performance</u>
1978	-6.15%	7.69%	1.06%
1979	3.97%	8.02%	12.31%
1980	5.76%	18.92%	25.77%
1981	-4.57%	-5.40%	-9.73%
1982	-1.75%	16.81%	14.76%
1983	3.31%	13.51%	17.27%
1984	-0.92%	2.34%	1.40%
1985	7.41%	17.62%	26.33%
1986	0.24%	14.35%	14.62%
1987	13.18%	-9.85%	2.03%
1988	4.04%	8.03%	12.40%
1989	7.11%	18.80%	27.25%
1990	-6.88%	0.35%	-6.56%
1991	4.15%	21.27%	26.31%
1992	-1.99%	6.59%	4.46%
1993	0.70%	6.31%	7.06%
1994	3.25%	-4.64%	-1.54%
1995	2.43%	30.93%	34.11%
1996	3.26%	16.46%	20.26%
1997	6.13%	23.44%	31.01%
1998	1.02%	25.40%	26.67%
1999	4.10%	14.82%	19.53%
2000	-5.09%	-5.32%	-10.14%
2001	3.46%	-15.95%	-13.04%
2002	-1.56%	-22.15%	-23.37%

Source: Worth Charting, Bloomberg, FactSet

January Performance 1928-2022... with Rest-of-Year and Full-Year performance

<u>Year</u>	<u>January Performance</u>	<u>ROY (Feb-Dec) Performance</u>	<u>Full Year Performance</u>
2003	-2.74%	29.94%	26.38%
2004	1.73%	7.14%	8.99%
2005	-2.53%	5.67%	3.00%
2006	2.55%	10.80%	13.62%
2007	1.41%	2.09%	3.53%
2008	-6.12%	-34.48%	-38.49%
2009	-8.57%	35.02%	23.45%
2010	-3.70%	17.11%	12.78%
2011	2.26%	-2.22%	0.00%
2012	4.36%	8.67%	13.41%
2013	5.04%	23.38%	29.60%
2014	-3.56%	15.50%	11.39%
2015	-3.10%	2.45%	-0.73%
2016	-5.07%	15.39%	9.54%
2017	1.79%	17.32%	19.42%
2018	5.62%	-11.22%	-6.24%
2019	7.87%	19.48%	28.88%
2020	-0.16%	16.45%	16.26%
2021	-1.11%	28.32%	26.89%
2022	-5.26%	-14.87%	-19.44%
2023	6.18%	?	?
MEAN	1.19%	6.43%	7.68%
MEDIAN	1.55%	8.39%	10.79%

Source: Worth Charting, Bloomberg, FactSet



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Source: Worth Charting, Bloomberg, FactSet