Is the Super Bowl a Market Barometer?

The Super Bowl Indicator Theory suggests that the stock market will have a positive year if the team in the National Football Conference, or a team with an NFC origin, wins. If the American Football Conference team wins, the market will fall. According to the recent news (Market Watch, 2/6/2017), it has accurately predicted the direction of the market for the year following 40 of the 50 Super Bowls since the first super bowl in 1967. Why do we have such phenomena? Is the finding consistent with market efficiency? Please discuss.

It has been said the best way to lie is with statistics. Mark Twain was quoted as saying “Facts are stubborn things, but statistics are pliable.” There are indicators for so many outcomes but not all have true connection or correlation to the event for which they are said to be an indicator. Such is the case for the Super Bowl Indicator Theory though the data would suggest otherwise. (Staff 2007) “Though historically speaking the Super Bowl indicator boasts an 80% accuracy rate, remember the old maxim: correlation does not imply causation.” “And for market indicator geeks, there is the January test that investors still have time to ace: the so-called "January Barometer. “The barometer, according to the *Almanac*, says that as the S&P 500 goes in January, so goes the year. This has been accurate 75 percent of the time since 1950. In pre-election years it's been accurate in 13 of the last 14.” At least with the January Barometer you are taking current data—January market results—and extrapolating those results to the broader year. (Money 2007) The Super Bowl Indicator has no bearing on the elements that can move the markets such as P.E. Ratio’s and earnings.

A study of the history of the markets do reveal a propensity for patterns and trends that in some form or fashion repeat themselves or at least rhyme. Secular bull markets or rising trends tend to be followed by secular bear markets. Within those time periods, counter trend cyclical bull and bear markets assert themselves. Simplistically looking at emotions and the markets, a cycle of hope, fear and greed seem to encapsulate the up and down cycles that are manifested. People are fearful of events, political backdrop, geopolitical events, and the day to day. Markets tend to climb these walls of worry which leads those fearful folks to begin to hope things truly are getting better. Before they know it the markets continue to climb and they insist now on getting in because greed has taken hold. They do not want to miss. But sure enough they were too late and the markets begin to

correct. Their euphoria turns to hope that things will go back up but they continue their decline until fear sets in again. And so goes the cycle.

Market efficiency would say that stock prices and other securities prices reflect all available and relevant information. (Investopedia, 2017) A graphic displaying all the data and the results taken from Vintage Value Investing gives us a view of the consistency or inconsistency of this indicator. Whether this becomes a self-fulfilling prophesy and sports fans sell with the AFL wins and buy with the NFL wins is still to be seen but over the past 20 years this indicator could have led you astray. Important down years 2000, 2001 and 2008 were all outliers. Key to investing is being in when the markets are rising and protecting on the down years. And 1998 and 1999 up years would have been missed if you followed this indicator.

Best to just bank on your team for a win and not take that outcome to the bank with your investments.