

Wayne's January Rule – Four Means More

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Today's study was performed across data from 1950-2011. As a point of reference, the S&P was up 72.6% (45-17) of those years for an average annual return of 8.62%.

I have found it statistically insightful to look at the last eleven months of the year's historical S&P performance as a function of the following three categories of January Performance.

January < 0%			January 0 to 4%			January > 4.0%		
YEAR	JAN	FEB-DEC	YEAR	JAN	FEB-DEC	YEAR	JAN	FEB-DEC
1953	-00.72	-05.95	1950	01.73	19.82	1951	06.02	09.74
1956	-03.65	06.50	1952	01.56	10.07	1954	05.12	37.96
1957	-04.18	-10.58	1955	01.81	24.16	1958	04.28	32.40
1960	-07.15	04.50	1959	00.43	08.01	1961	06.32	15.81
1962	-03.79	-03.34	1964	02.69	10.01	1963	04.91	13.32
1968	-04.38	12.60	1965	03.32	05.56	1967	07.82	11.38
1969	-00.82	-10.63	1966	00.49	-13.51	1971	04.05	06.48
1970	-07.65	08.39	1972	01.81	13.58	1975	12.28	17.16
1973	-01.71	-15.93	1979	03.97	08.02	1976	11.83	06.54
1974	-01.00	-29.00	1983	03.31	13.51	1980	05.76	18.92
1977	-05.05	-06.79	1986	00.24	14.35	1985	07.41	17.62
1978	-06.15	07.69	1993	00.70	06.31	1987	13.18	-09.85
1981	-04.57	-05.40	1994	03.25	-04.64	1988	04.04	08.03
1982	-01.75	16.81	1995	02.43	30.93	1989	07.11	18.80
1984	-00.92	02.34	1996	03.26	16.46	1991	04.15	21.27
1990	-06.88	00.35	1998	01.02	25.40	1997	06.13	23.44
1992	-01.99	06.59	2001	03.45	-15.95	1999	04.10	14.82
2000	-05.09	-05.31	2004	01.73	07.14			
2002	-01.56	-22.15	2006	02.56	10.80			
2003	-02.74	29.94	2007	01.41	02.09			
2005	-02.53	05.63	2011	02.26	-02.22			
2008	-06.12	-34.48						
2009	-08.57	35.02						
2010	-03.70	17.11						
#UP-DN =	13-11		#UP-DN =	17-04		#UP-DN =	16-01	
AVG%CHG =	-0.05		AVG%CHG =	09.04		AVG%CHG =	15.52	
MED%CHG =	1.35		MED%CHG =	10.01		MED%CHG =	15.81	

February-December is 16-1 after a 4% January with the only loss coming in 1987, a year in which the S&P was actually up 20% from February-August before succumbing to a third round of interest rate hikes in October.

Although a down January, merely shifts the odds for the rest of the year to a coin toss, **six of the eight double digit February-December losses occurred after a down January.**

The January Rule is not a stand alone trading system and some question its utility, but personally, my retirement account wants to know when January puts up a +4% number.