**Ancient Analysis of Market Timers**

**Real World Personal Finance Software**

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Long-term Bottom-line Results of All Market Timers

Let us take a sentimental journey and look how accurate investment advisors have been in predicting the direction of the stock market.

This information was broadcast on the PBS show Wall Street Week with Louis Rukeyser on October 1, 1999. The data was compiled by Investor Intelligence Corporation.

Investor Intelligence Corporation began polling advisors on July 2, 1965. They asked advisors what they thought the direction of the market would be in the next year. Advisors had to answer with either Bull, Bear, or Chicken.

A Bull answer meant the advisor thought the DJIA (DJIA Jones Industrial Average of 30 stocks) would be up in the next year. A Bear answer meant the advisor thought the DJIA would be flat to down in the next year. And a Chicken answer meant the advisor thought the DJIA would be down substantially in the next year.

On July 2, 1965, the DJIA was near an all-time low, at 689.37. Here is how advisors polled at that time:

|  |  |  |
| --- | --- | --- |
| Chicken | **Bear** | **Bull** |
| 77.6% | 13.8% | 8.6% |

91.4% of all advisors polled felt the DJIA would be flat or go down over the next year. The DJIA proceeded to rise 250 points, or 36%, over the next 21 months.

On July 5, 1965, the DJIA was at 1047.48. Here is how advisors polled at that time:

|  |  |  |
| --- | --- | --- |
| Chicken | **Bear** | **Bull** |
| 23.3% | 15.1% | 61.6% |

61.6% of all advisors polled felt the DJIA would be go up over the next year. The DJIA proceeded to fell 470 points, or -44% over the next 23 months.

On December 6, 1974, the DJIA was at 557.60. Here is how advisors polled at that time:

|  |  |  |
| --- | --- | --- |
| Chicken | **Bear** | **Bull** |
| 15.4% | 48.1% | 36.5% |

63.5% of all advisors polled felt the DJIA would be flat or go down over the next year. The DJIA proceeded to rise 426 points, or 76%, over the next 15 months.

Are you getting the picture?

On December 31, 1976, the DJIA was at 1004.65, an all time high. Here is how advisors polled at that time:

|  |  |  |
| --- | --- | --- |
| Chicken | **Bear** | **Bull** |
| 9.4% | 62.0% | 84.4% |

84.4% of all advisors polled felt the DJIA would go up over the next year. The DJIA proceeded to fall 263 points, or -26%, over the next 14 months.

On August 6, 1982, the DJIA was at 784.34, the bottom of the bear market. Here is how advisors polled at that time:

|  |  |  |
| --- | --- | --- |
| Chicken | **Bear** | **Bull** |
| 20.6% | 45.1% | 34.3% |

65.7% of all advisors polled felt the DJIA would be flat or go down over the next year. The DJIA proceeded to rise 1938 points, or 247%, over the next five years.

On August 21, 1987, the DJIA was at 2709.50, the bottom of the bear market. Here is how advisors polled at that time:

|  |  |  |
| --- | --- | --- |
| Chicken | **Bear** | **Bull** |
| 20.0% | 19.2% | 60.8% |

60.8% of all advisors polled felt the DJIA would go up over the next year. The DJIA proceeded to lose 971 points, or 35%, over the next eight weeks.

The indicator has never been so bullish again, when super-bullish would have been the best call.

On November 25, 1988, the DJIA was at 2074.01. Here is how advisors polled at that time:

|  |  |  |
| --- | --- | --- |
| Chicken | **Bear** | **Bull** |
| 23.6% | 55.3% | 21.1% |

78.9% of all advisors polled felt the DJIA would go down over the next year. The DJIA proceeded to rise 1904 points, or 91%, over the next 62 months.

On July 1, 1994, the DJIA was at 3646.65. Here is how advisors polled at that time:

|  |  |  |
| --- | --- | --- |
| Chicken | **Bear** | **Bull** |
| 24.1% | 52.6% | 23.3% |

76.7% of all advisors polled felt the DJIA would go down over the next year. The DJIA proceeded to rise 4148 points, or 113%, over the next 37 months.

On September 11, 1998, the DJIA was at 7795.17. Here is how advisors polled at that time:

|  |  |  |
| --- | --- | --- |
| Chicken | **Bear** | **Bull** |
| 16.1% | 47.5% | 36.4% |

63.6% of all advisors polled felt the DJIA would go down over the next year. The DJIA proceeded to rise 3008 points, or 38%, over the next 12 months.

Déjà vu all over again.

On September 17, 1999, the DJIA was at 10803.63. Here is how advisors polled at that time:

|  |  |  |
| --- | --- | --- |
| Chicken | **Bear** | **Bull** |
| 27.1% | 31.4% | 41.5% |

One of the most bearish readings in a year.

Where will it go from here? Given the record of these advisors, nobody knows.

This poll is one of the reasons why we don’t practice market timing. Nobody knows where any market is headed, and as Louis Rukeyser pointed out - the “pros” have had a great record of forecasting the exact opposite of what actually happened. That’s why we try not to predict the direction of any market, asset class, or stock.

We determine your investment allocation based on their risk tolerance, investment income-need, their ages, whether or not you’re retired, how much you have in investments, and a few other things. After we determine the mix of asset classes, we stick to it regardless how anyone feels where markets may be heading. We keep your mix the same until one of the life factors above changes for you.

Even though we agree with Louis Rukeyser that market timing is a futile endeavor, we disagree with him on the issue of security selection (stock picking). If you watch Wall Street Week, then you know that the show is based mostly around stock picking. With this in mind, let’s discuss these three ways of making investment decisions in more detail ([see this webpage for details](http://www.toolsformoney.com/asset_allocation.htm)).

Louis Rukeyser passed away on the same day as John Kenneth Galbraith (along with Don Knotts, Darrin McGavin, and Dennis Weaver on the same weekend) - Sunday, April 30, 2006.

Both were very old, will be missed, and contributed greatly to our understanding of how the world actually works.







