WHAT'S WRONG WITH WALL STREET WISDOM?

AMERICAN ASSOCIATION OF INDIVIDUAL INVESTORS®

John M. Bajkowski
President, AAII
johnb@aaii.com

“As goes January, so goes the year”

- Stock Trader’s Almanac - January Barometer
  - Notes that since 1950, the barometer has recorded only 12 major errors, producing an accuracy rate of 84%. When eight additional flat-year outcomes (less than ±5% annual change) are also counted as misses, the accuracy rate declines to 73% through 2024.

January Barometer

Year	Model Shadow Stock Portfolio Total Return Jan (%)	Feb – Dec (%)	Full Year (%)		Skip Rest of Year With Neg Jan (%)	Vanguard 500 Index (VFINX) Total Return Jan (%)	Feb – Dec (%)	Full Year (%)		Skip Rest of Year With Neg Jan (%)
1993	2.7	28.8	32.3		32.3	0.8	9.0	9.9		9.9
1994	5.4	(3.2)	2.0		2.0	3.4	(2.1)	1.2		1.2
1995	3.0	17.2	20.7		20.7	2.6	34.0	37.4		37.4
1996	4.1	17.5	22.3		22.3	3.4	18.8	22.9		22.9
1997	2.6	40.7	44.3		44.3	6.2	25.4	33.2		33.2
1998	(1.3)	(7.7)	(8.9)		(1.3)	1.1	27.2	28.6		28.6
1999	0.1	(0.1)	(0.0)	X	(0.0)	4.2	16.2	21.1		21.1
2000	1.5	(9.1)	(7.7)	X	(7.7)	(5.0)	(4.2)	(9.1)		(5.0)
2001	7.2	13.2	21.4		21.4	3.5	(15.0)	(12.0)	X	(12.0)
2002	3.1	7.6	10.8		10.8	(1.5)	(21.0)	(22.1)		(1.5)
2003	3.4	67.4	73.1		73.1	(2.6)	32.0	28.5	X	(2.6)
2004	8.3	32.7	43.7		43.7	1.8	8.8	10.8		10.8
2005	0.2	17.7	17.9		17.9	(2.5)	7.4	4.8	X	(2.4)
2006	7.1	20.8	29.4		29.4	2.7	12.6	15.6		15.6
2007	(0.2)	(1.6)	(1.8)		(0.2)	1.5	3.8	5.4		5.4
2008	1.9	(51.8)	(50.8)	X	(50.8)	(6.0)	(33.0)	(37.0)		(6.0)
2009	(0.6)	73.3	72.3	X	(0.6)	(8.4)	38.1	26.5	X	(8.4)
2010	(3.1)	50.0	45.4	X	(3.1)	(3.6)	19.2	14.9	X	(3.6)

January Barometer

Year	Model Shadow Stock Portfolio Total Return Jan (%)	Feb – Dec (%)	Full Year (%)		Skip Rest of Year With Neg Jan (%)	Vanguard 500 Index (VFINX) Total Return Jan (%)	Feb – Dec (%)	Full Year (%)		Skip Rest of Year With Neg Jan (%)
2011	(2.2)	8.8	6.3	X	(2.2)	2.4	(0.4)	2.0	X	2.0
2012	10.4	20.8	33.3		33.3	4.5	10.9	15.8		15.8
2013	8.2	48.8	61.0		61.0	5.2	25.7	32.2		32.2
2014	(7.6)	2.0	(5.8)		(7.6)	(3.5)	17.6	13.5	X	(3.5)
2015	(4.4)	(11.3)	(15.2)		(4.4)	(3.0)	4.4	1.3	X	(3.0)
2016	(6.8)	39.3	29.8	X	(6.8)	(5.0)	17.7	11.8	X	(5.0)
2017	(2.1)	16.5	14.0	X	(2.1)	1.9	19.4	21.7		21.7
2018	(2.9)	(22.2)	(24.4)		(2.9)	5.7	(9.7)	(4.5)	X	(4.5)
2019	15.9	3.2	19.6		19.6	8.0	21.6	31.3		31.3
2020	(8.4)	24.2	13.8	X	(8.4)	(0.1)	18.3	18.3	X	(0.0)
2021	9.2	23.9	35.3		35.3	(1.0)	29.9	28.6	X	(1.0)
2022	(4.9)	(15.5)	(19.7)		(4.9)	(5.2)	(13.8)	(18.2)		(5.2)
2023	13.9	6.1	20.8		20.8	6.3	18.7	26.1		26.1
2024	(2.1)	(2.7)	(4.7)		(2.1)	1.7	22.8	24.8		24.8
2025	1.6	16.8	18.8		18.8	2.8	14.6	17.7		17.7
2026*	11.8	?	?		?	1.4	?	?		?
CAGR**			**13.6**		**9.9**			**10.7**		**8.0**

*Through January 31, 2026.

**Compound annual growth rate.

“As goes January, so goes the year”

- Beyond the tax and portfolio disruption impact, we found that on a return basis, it the strategy was not advantageous for the Model Shadow Stock Portfolio or The S&P 500 over the last 33 years.
- Not all markets move in unison – Shadow Stocks and S&P 500 both had 13 January losses, but the signal was different over one-third of time

“Sell in May and go away”

- Also know as “Halloween Timing Strategy”
- Market’s strongest relative performance is normally between October 31 and the end of April. With the Halloween timing strategy, you are invested in the market for six months (November through April) and out of the market for six months (May through October).

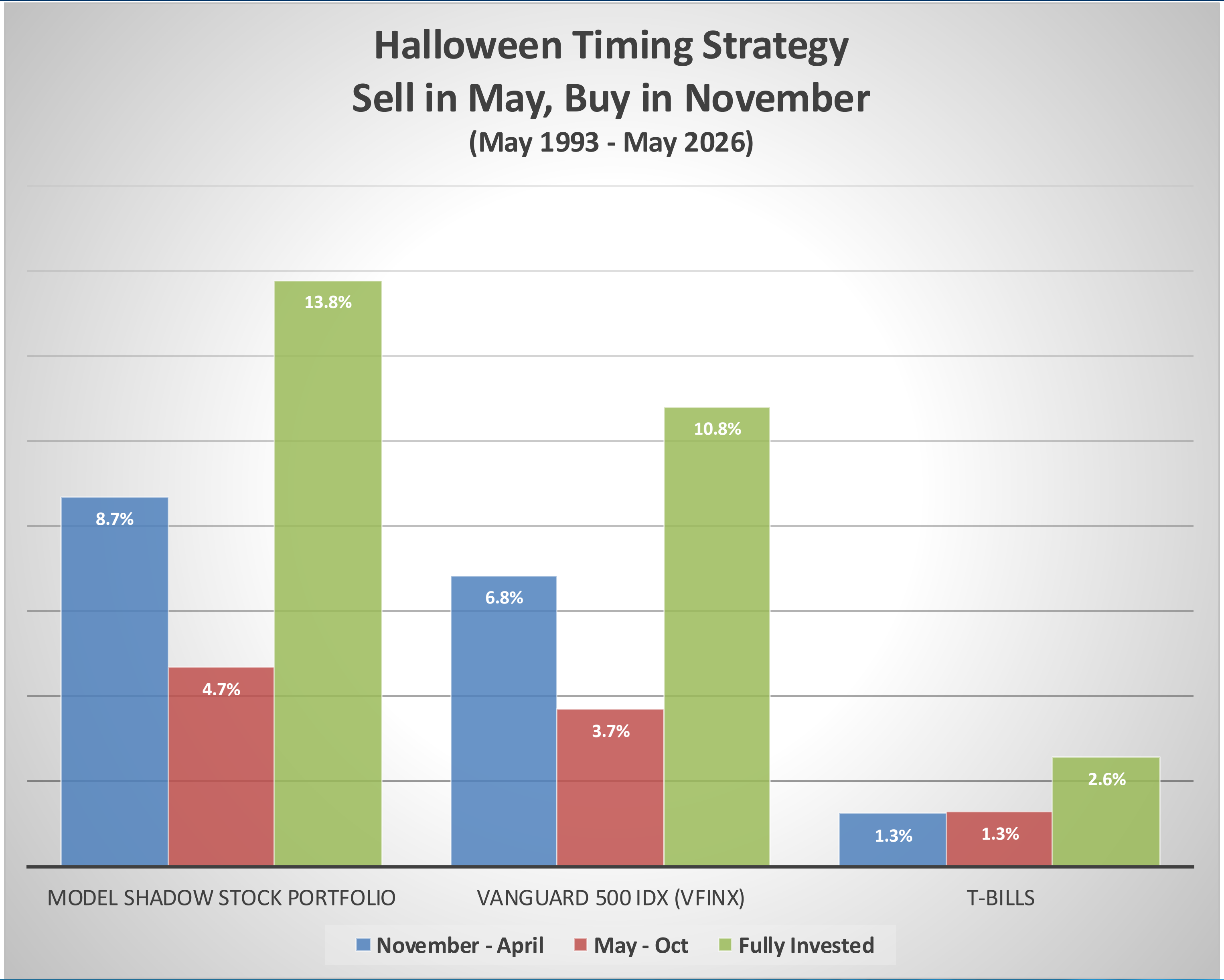
Strong Variability In Monthly Returns

Average Monthly Return (1993 - 6/2026)

	Shadow	VTSMX	S&P 500
Jan	2.2%	0.7%	0.7%
Feb	0.8%	0.1%	0.0%
Mar	0.7%	0.8%	1.0%
Apr	1.9%	1.9%	2.0%
May	0.9%	1.2%	1.2%
Jun	1.7%	0.6%	0.5%
Jul	1.9%	1.3%	1.5%
Aug	0.4%	0.1%	0.0%
Sep	0.5%	-0.4%	-0.4%
Oct	0.7%	1.4%	1.7%
Nov	2.5%	2.4%	2.4%
Dec	1.7%	1.2%	1.1%

Data as of 6/30/2026.

	Shadow	VTSMX	S&P 500
Jan	2	8	8
Feb	8	10	10
Mar	9	7	7
Apr	4	2	2
May	7	6	5
Jun	5	9	9
Jul	3	4	4
Aug	12	11	11
Sep	11	12	12
Oct	10	3	3
Nov	1	1	1
Dec	6	5	6


Halloween Timing Strategy
Sell in May, Buy in November
(May 1993 - May 2026)
8.7%
4.7%
13.8%
6.8%
3.7%
10.8%
1.3%
1.3%
2.6%
MODEL SHADOW STOCK PORTFOLIO
VANGUARD 500 IDX (VFINX)
T-BILLS
November - April
May - Oct
Fully Invested

“Sell in May and go away”

- Weakest Months
  - Model Shadow Stock – August, September & October
  - S&P 500 – September, August & February
- Strongest Months
  - Model Shadow Stock – November, January & July
  - S&P 500 – November, April & October
- May to October weaker than November to April, but still positive and stronger than T-Bills
- Market tends to undergo its summer doldrums, it has still generally rewarded investors for staying fully invested during the entire year

*“October: This is one of the peculiarly dangerous months to **speculate** in stocks. The others are July, January, September, April, November, May, March, June, December, August and February. Mark Twain”*

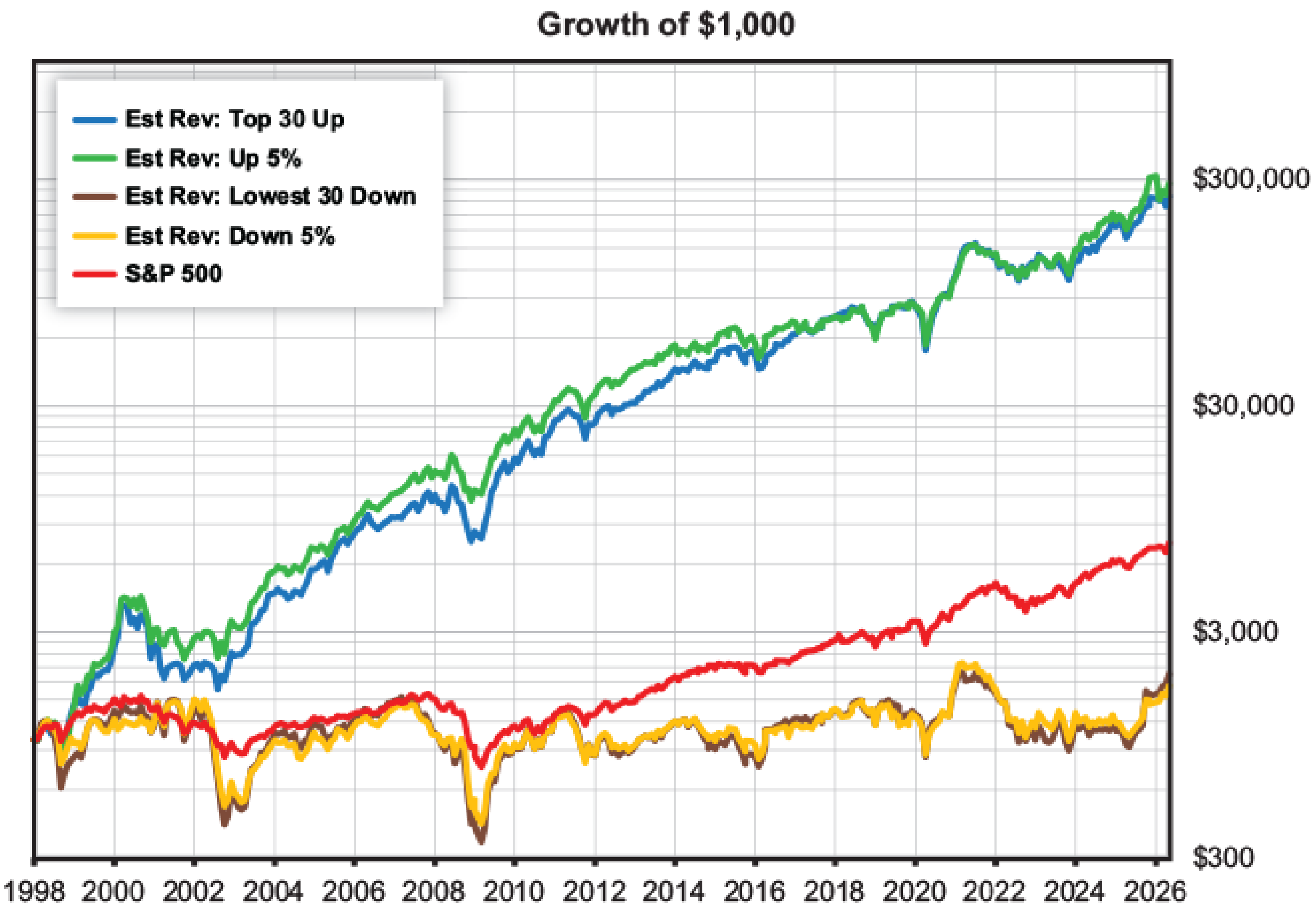
Trying to get rich quick in the stock market is never safe, no matter the time of year.

“You have missed the market move”

- Price change alone is never a good reason to buy or sell an individual stock
  - Better to ask why price moved and does it reflect company fundaments
- Bargain hunters may be tempted to jump in after a negative earnings surprise
  - “dead cat bounce” also know as “catching a falling knife”
- Investor may feel it’s too late to buy a stock after a positive earnings surprise

FIGURE 1

Performance of the Estimate Revisions Screens



Estimate Surprise Patterns Can Reverse In Short-Term Time Periods

Screen	Price Gain (%) YTD	Price Gain (%) 2025	Price Gain (%) 2024	Price Gain (%) 2023	Price Gain (%) 2022	Price Gain (%) 2021	Average Annual Gain (%) 5 Yr	Average Annual Gain (%) 10 Yr	Average Annual Gain (%) 20 Yr	Average Annual Gain (%) Since 1998	Risk-Adj Gain (%)	Price Gain (%) Bull*	Price Gain (%) Bear*	Risk Index (X)
Est Rev Top 30 Up	2.3	32.9	40.3	5.3	(8.5)	19.9	10.4	17.7	17.6	21.6	16.8	126.0	(18.6)	1.73
Est Rev Up 5%	(7.2)	56.8	34.3	21.9	(14.5)	25.9	13.6	16.9	17.6	22.1	17.1	155.7	(20.4)	1.72
Est Rev Lowest 30 Down	23.0	46.0	(10.3)	22.0	(38.2)	(9.5)	1.1	5.9	1.9	2.4	(7.4)	98.4	(38.8)	2.25
Est Rev Down 5%	18.5	23.4	(9.7)	16.2	(32.1)	(11.0)	(3.8)	4.8	1.7	2.0	(5.7)	69.3	(38.4)	1.93
S&P 500	5.3	16.4	23.3	24.2	(19.4)	26.9	11.5	13.3	8.9	7.3	7.3	101.0	(24.8)	1.00

**Bull market period is October 1, 2022, through April 30, 2026. Bear market period is January 1, 2022, through September 30, 2022.*
Source: AAII Stock Investor Pro and S&P Global Market Intelligence. Data as of 4/30/2026.

“You have missed the market move”

- Markets are generally efficient, but not perfectly efficient
  - True earnings surprises can take up to year to fully reflect the change in company circumstances, especially with smaller companies
  - Don’t fear buying a company with positive earnings and positive price reaction, if the long-term fundamentals still make sense
  - Don’t just buy a company after an earnings miss, thinking you are getting a bargain if the surprise points to change in fundamentals
  - Fear the “cockroach effect”

High Risk Equals High Return

WHAT IT MEANS TO DO:

Taking massive financial risks is the only way to achieve superior portfolio returns.

WHY IT'S A PROBLEM:

High risk often just results in a permanent loss of capital unless a disciplined plan is followed.

WHAT YOU SHOULD CONSIDER INSTEAD:

Low-risk, steady compounding assets frequently outperform hyper-volatile speculative bets.

Cash is King

WHAT IT MEANS TO DO:

Move your entire portfolio into cash or money market funds during times of high market volatility and economic uncertainty.

WHY IT'S A PROBLEM:

Inflation quietly erodes the purchasing power of uninvested cash over time. Sitting fully in cash causes investors to miss the most explosive, unpredictable days of a stock market recovery. Timing the market is difficult at best

WHAT YOU SHOULD CONSIDER INSTEAD:

Treat cash as emergency or strategic tool for liquidity needs. Maintain a balanced asset allocation. Deploy your long-term assets in quality equity investments.

Questions?

Visit: www.aaii.com/betterinvesting

AAII Disclaimer

AAII is not a registered investment adviser or a broker/dealer. Readers are advised that articles are provided solely for informational purposes and should not be construed as an offer to sell or the solicitation of an offer to buy securities. The opinions and analyses included herein are based on sources believed to be reliable and written in good faith, but no representation or warranty, expressed or implied, is made as to their accuracy, completeness, timeliness, or correctness. Neither we nor our information providers shall be liable for any errors or inaccuracies, regardless of cause, or the lack of timeliness of, or any delay or interruptions in the transmission thereof to the users. All investment information contained herein should be independently verified. Past performance is no guarantee of future results. Investment information provided may not be appropriate for all investors. Investment information is provided without consideration of your financial sophistication, financial situation, investing time horizon, or risk tolerance. Readers are urged to consult with their own independent financial advisers with respect to any investment.