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Private Wealth Management

In the Markets Now

So goes January…or not

We believe in the old saying: a picture is worth a thousand words. Here, we aim to recap recent market action and provide some perspective to investors.

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WHAT A WEAK JANUARY MEANS FOR REST-OF-YEAR RETURNS

With a difficult January for the market fresh on folks' minds, there is a growing chorus emerging in the investment world echoing the following phrase: "So goes January, so goes the year." Said another way, a weak January is bad news for the stock market. But when a saying really only pops up during a down market (and with investor sentiment at its most negative since the Covid-19 crash), I think it's worth exploring further. **So does a down January actually mean a weak rest of year?**

Spoiler alert: not really. To the right, I've catalogued every year for the S&P 500 over the last four decades, highlighting in gray those with a negative January. As far as I can see, there is no discernable pattern (even if you go back much further). And in fact, over the last 10-, 20-, 30-, and 40-year time frames, the February to December return was actually HIGHER than the overall average if January was negative. Now, I don't think this is necessarily predictive of anything (more just random market noise), but it certainly eliminates the idea that a sour January has to lead to a down year for stocks.

Looking through the individual years, there seems to be even less of a pattern. Over the last decade (excluding 2022), January was negative five times. The next eleven months were negative only once, and the other five times, they saw double-digit returns. The years 2020 and 2021 posted negative Januarys only to be followed by historic 25%+ runs into year-end. But just as often, the opposite is true: a positive January is followed by rest-of-year weakness. Look to 2018, 2011, or 2001 as examples. In 1987, the market was up 13.2% in January only to give it nearly all back by year-end.

But while the exercise didn't lend us anything particularly predictive, **sometimes it is worth digging into the data just to dispel a commonly repeated myth.** Seasonality (strength or weakness in particular calendar stretches) can be a factor in market performance, but we expect much more fundamental forces to drive market returns in 2022: the path of the Federal Reserve, the strength of corporate earnings, the persistence of Covid-19, the stickiness of inflation, etc. Read up on our thoughts on those topics here.

At the very least, you can rest easy knowing the rest of the year isn't doomed to be negative just because January was. Talk to your Baird Advisor today.

January 2022

Year	January return	Feb.–Dec. return
2022	-5.3%	-
2021	-1.1%	25.1%
2020	-0.2%	27.1%
2019	7.9%	16.0%
2018	5.6%	-7.6%
2017	1.8%	13.1%
2016	-5.1%	15.9%
2015	-3.1%	-2.9%
2014	-3.6%	10.7%
2013	5.0%	22.0%
2012	4.4%	4.4%
2011	2.3%	-5.2%
2010	-3.7%	13.9%
2009	-8.6%	51.7%
2008	-6.1%	-32.1%
2007	1.4%	4.4%
2006	2.5%	10.7%
2005	-2.5%	3.7%
2004	1.7%	5.9%
2003	-2.7%	32.2%
2002	-1.6%	-20.5%
2001	3.5%	-7.4%
2000	-5.1%	-3.4%
1999	4.1%	18.6%
1998	1.0%	17.1%
1997	6.1%	22.7%
1996	3.3%	15.7%
1995	2.4%	26.4%
1994	3.3%	-1.7%
1993	0.7%	5.2%
1992	-2.0%	5.6%
1991	4.2%	13.6%
1990	-6.9%	-0.5%
1989	7.1%	22.3%
1988	4.0%	3.7%
1987	13.2%	-13.1%
1986	0.2%	6.7%
1985	7.4%	16.6%
1984	-0.9%	6.5%
1983	3.3%	11.0%
1982	-1.8%	24.3%
	Average, all periods	9.5%
	Average, if January was negative	9.8%

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