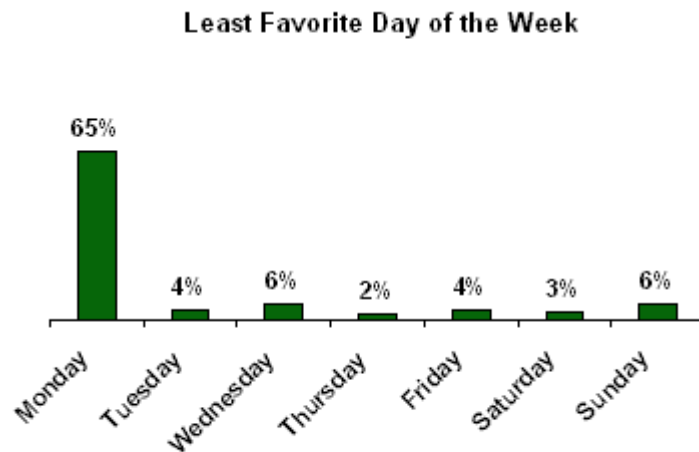


Eric Lytikainen: Do You Have The "Monday Market Blues"


Monday Market Blues Most people hate Mondays. The reason is perhaps obvious: it is the end of a two-day rest for many, and the beginning of another work week. Monday is the first step up a long, steep hill, and apparently, it's not a fun climb. A poll which sought to discover the least favorite day of the week. The most significant result in the survey was that Monday was chosen as their least favorite day of the week.



June 6-8, 2005

Source: Gallup

Some people believe that the stock market is a barometer of investor emotion, and we believe that there is merit to this statement. One thing is for sure. The stock market hates Mondays just as much as you do.



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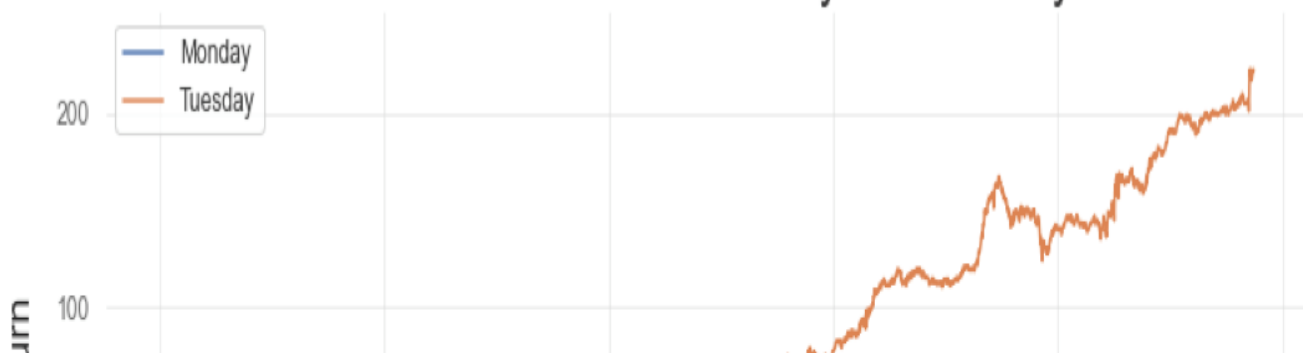
The next major "bear market" is coming! Is your portfolio strategy ready for it?

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History of Returns

We study the markets and look for repeatable patterns that we put into our investment models. Recently, we came across a pattern that has persisted from 1927 to the present: historically, Monday is by far the worst performing day in the S&P 500. Every other day in the S&P 500 has a positive return, and Monday is decidedly negative. Turn-around Tuesday really is a thing.

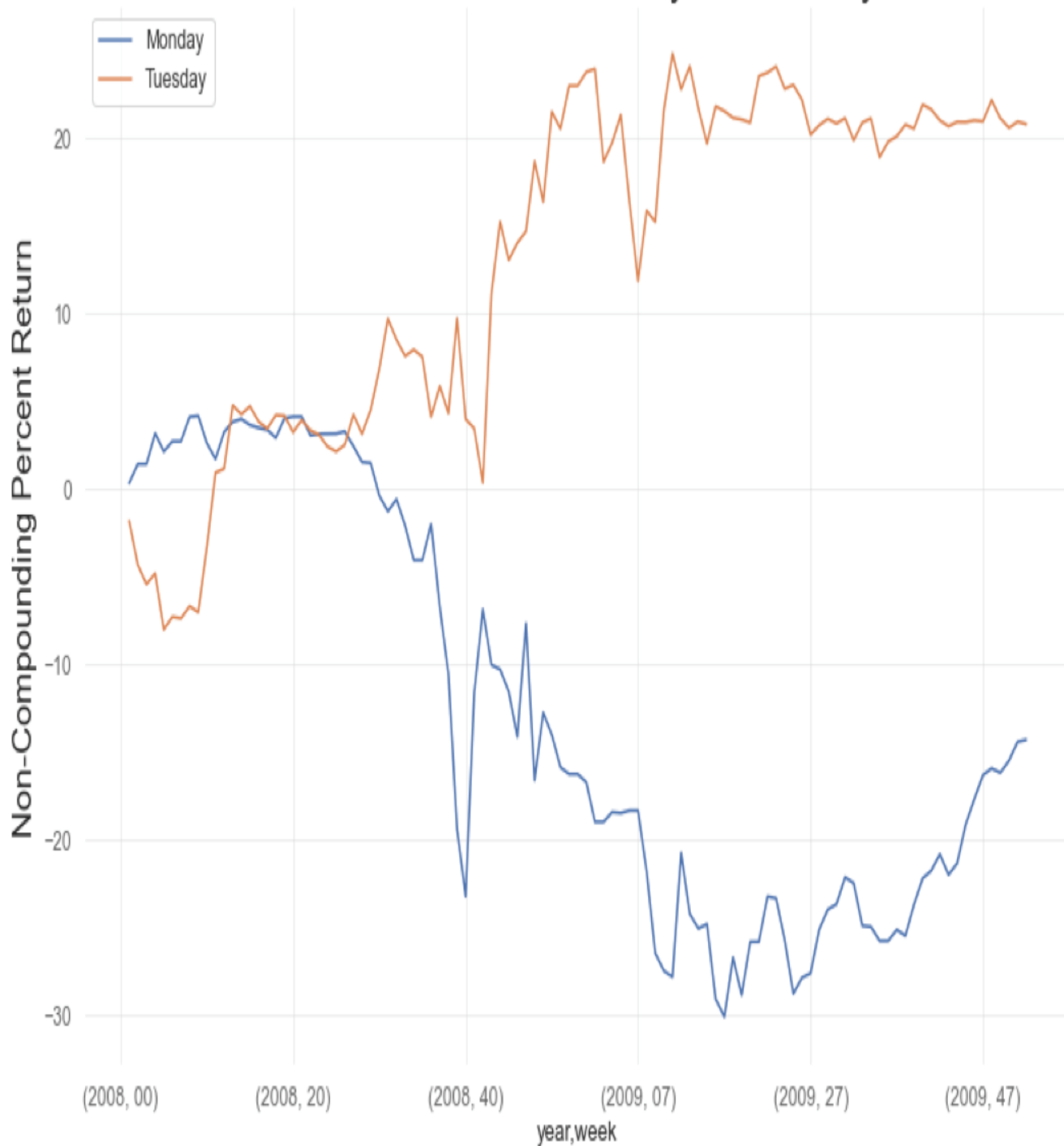
SPX 1927 - 2020 : Monday vs. Tuesday



Monday Performance During Sell-offs

Further, in addition to modeling day-of-the-week returns for the entire history, we also looked at data during the recent sell-offs of 2008, 2018 and 2020. In all cases, Monday under-performed^[1]. During 2008, the Monday trade was a slow grind lower, and Tuesday was a slow grind higher.

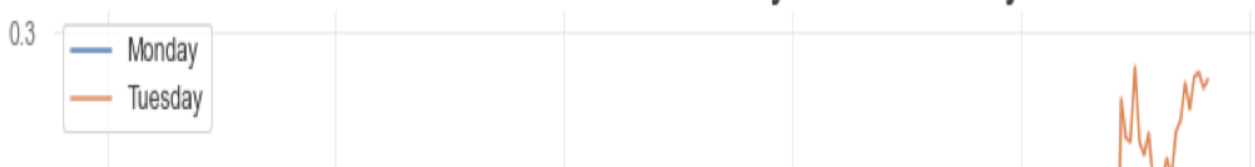
SPX 2008 - 2009 : Monday vs. Tuesday



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In late 2018, Monday returns began to drift lower, and were a significant source of the spike lower in March 2020.

SPX 2016 - 2020 : Monday vs. Tuesday



Risk-Adjusted Return

Eliminate Monday returns from the S&P for the last 93 years and you will dramatically increase total risk adjusted return^[2]. This model sells the S&P Friday at the close and buys the S&P 500 Monday at the close. ^[1] A ?Monday? return consists of buying at the Friday close and selling the Monday close. A Tuesday return comes from buying at the Monday close and selling the Tuesday close. ^[2] Sharpe ratio is the realized return divided by the standard deviation of the return.

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SPX Daily Compounded Returns



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Why has this pattern persisted for almost 100 years? We don't know for sure. Is it about weekend news? Is it about order flow? Maybe it's because most people hate Mondays. Whatever the causes, this pattern may be something to keep in mind when buying and selling stocks.

Authors

Viking Analytics is a quantitative research firm that develops tools to help navigate complex markets. If you would like to learn more, please visit our [website](#), or download a complimentary report. Erik Lytikainen, the founder of Viking Analytics, has over twenty-five years of experience as a financial analyst, entrepreneur, business developer, and commodity trader. He holds an MBA from the University of Maryland and a BS in Mechanical Engineering from Virginia Tech. Rob McBride has 15+ years of experience in the systematic investment space and is a former Managing Director at a multi-billion dollar hedge fund. He has deep experience with market data, software and model building in financial markets. Rob has a M.S. in Computer Science from the South Dakota School of Mines and Technology.



The banner is divided into three sections. The left section features a portrait of a smiling man with short brown hair, wearing a dark blue shirt. The middle section has an orange background with the text 'Real Investment Show' in large white font, and 'with Lance Roberts' in smaller white font below it. The right section has a black background with the text 'Monday to Friday, from 6 to 7am.' in white, followed by a small orange arrow icon and the text 'Get it now' in white.

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