



The 2021 World Series and the 2022 Markets

Why investors should root for the World Series to be cancelled every year

Is there actually a difference in stock market performance depending on who wins the World Series?

Should you really change your investment plans based on an American League or National League victory?

Of course not. But let's explore anyway.

The World Series

The inaugural World Series took place in 1903, with the Pittsburgh Pirates, National League champions, competing against the Boston Pilgrims (now Red Sox), American League champions. Boston won that first World Series and through 2020, there have been 116, occurring every year except 1904 and 1994.

The American League has outpaced the National League in these contests, 66-50. The New York Yankees have taken the lion's share of AL victories, with 27.

The St. Louis Cardinals, of the NL, are second in Series victories with 11. The Philadelphia/Oakland A's have 9, as do the Boston Red Sox, and the New York/San Francisco Giants have won eight. The Brooklyn/Los Angeles Dodgers have earned seven titles (including last year). A number of other teams have won five times or fewer. The Houston Astros have played in a World Series but had never won – until 2017 of course. The Washington Nationals won their first in 2019.

The Stock Market

Oddly enough, a pattern has (sort of) emerged. An academic study compared the performance of the Dow Jones Industrial Average in years following victories by AL or NL teams, for every World Series. This study used the geometric average of gains, a more advanced method of averaging.

In the 50 years following a National League victory, the DJIA increased an average of about 8.4%. It increased only about 2.5% in the 66 years following an American League victory.

Consider the last 4 years:

- Happy investors will remember that for the calendar year 2017, the DJIA raced forward by 25% following the 2016 National League-Chicago Cubs' first World Series victory since 1908.
- Unhappy investors will remember that for the calendar year 2018, the DJIA dropped 6% following the 2017 American League-Houston Astros first World Series victory ever.
- Happy investors will remember that for the calendar year 2019, the DJIA jumped over 23%, following the 2018 American League-Boston Red Sox victory.
- Happy investors will remember that for the calendar year 2020, the DJIA advanced over 9%, following the 2019 National League-Washington Nationals victory.

Is that reason enough to root for the National League Los Angeles Dodgers to win the 2021 World Series? Maybe not.

But, consider the World Series history from 1935-2008, where another analysis found distinctions in performance in the fourth quarter of the same year of the Series in question:

- After a National League victory, the S&P 500 gained an average of about 4.2% in the fourth quarter.
- An American League victory led to an overall return of about 2.8% in the fourth quarter.

Maybe that is reason enough to root for the National League Los Angeles Dodger again this year?

Professors & Baseball

In another study in the Journal of Accounting and Finance, five researchers also took on the question of whether the results of the World Series affected the stock market. The researchers examined the S&P 500 results for 1951-2011, excluding 1994 (no Series in 1994). The AL won 34 of the 60 World Series preceding these years, while the NL won 26.

The S&P 500 rose, on average, about 15% after a National League victory and only about 11% when an American League team won.

Based on their statistical analysis, however, the authors concluded that there was no actual correlation between the victors and the market. Warning investors not to rely on the World Series, they caution that “such anomalous investment strategies are detrimental to creating wealth.” However, it’s still interesting to consider the coincidental relationship, right?

Specific Teams

In the 20th century, the DJIA rose an average of 7.5% for all years following the World Series (1904 through 1999, excluding 1905 and 1994). Extending the time frame by another 19 years (1904 through 2020), the DJIA rose an average of about 7.9%.

In the years after the Yankees won the World Series, the DJIA grew 8.3%, on average. However, the DJIA rises 12.9% after the Yankees **lose** the World Series (13 times). So, the market seems to prefer losses by the Bronx Bombers over wins.

Their National League, cross-city rivals have fared even worse, however. The New York Mets have won the World Series twice, in 1969 and 1986. In 1970, the DJIA rose a mediocre 4.8%. And the Mets 1986 victory preceded the stock market crash of 1987, which saw the market plummet by 23%.

Compare this to the Chicago Cubs, a three-time Series winner (1907, 1908 and 2016), whose victories preceded DJIA growth of 46.6%, 15.0% and 25.0% for 1908, 1909 and 2017, respectively.

Following the 11 World Series victories of the St. Louis Cardinals, the DJIA rose 12.4% and the Giants’ first seven victories led to a rise of 10.5%. In the eight years following Red Sox titles, unfortunately, the DJIA grew only 1.1%. This includes large gains after their 1903 and 1918 wins, but also a big loss after their 2007 victory. The 2018 Red Sox victory – the ninth for the Red Sox – reversed this trend as the DJIA jumped 23% in 2019.



No World Series

The World Series has been cancelled on two occasions. In 1904, the NL champion New York (now San Francisco) Giants refused to play the AL champions. And then a prolonged players’ strike prevented the 1994 World Series. In 1905 and 1995, the DJIA shot up by 38.2% and 33.5%, respectively. That’s an average of 35.9%. Thus, the DJIA grows dramatically after seasons where there is **no** World Series. Interesting...

Summary & Conclusion

As these analyses show, the market has surprisingly done better in years after the National League wins the World Series. In addition, it appears that:

- The market does especially well after there is no World Series.
- The DJIA increases more in years after the Yankees lose the Series than in years they win.
- When the Cubs, Cardinals, or Giants win, the DJIA shoots up in the following year.
- After Red Sox, Mets, or Pirates victories, the market grows, but not very much.

There is, of course, no correlation between the World Series victor and the stock market. Even if there were a correlation, only the Yankees have enough victories (27) to form a statistically significant number for study.

But the fact is that people like to look for patterns in random data. It makes life more interesting.

However, the key to successful long-term investing, of course, lies elsewhere. Still, it's fun to be an armchair analyst looking at unique measurements that have nothing to do with traditional financial measures.

So, Atlanta Braves or Los Angeles Dodgers? Or is it too late to cancel the 2021 World Series?