Wall Street Courier

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Behind The Myth Of The Best 10 Days!

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The "Do Not Miss The Ten Best Days" Theory

The "Do not Miss the Ten Best" - theory indicates that missing just a small percentage of the market's best days dramatically reduces investor returns!

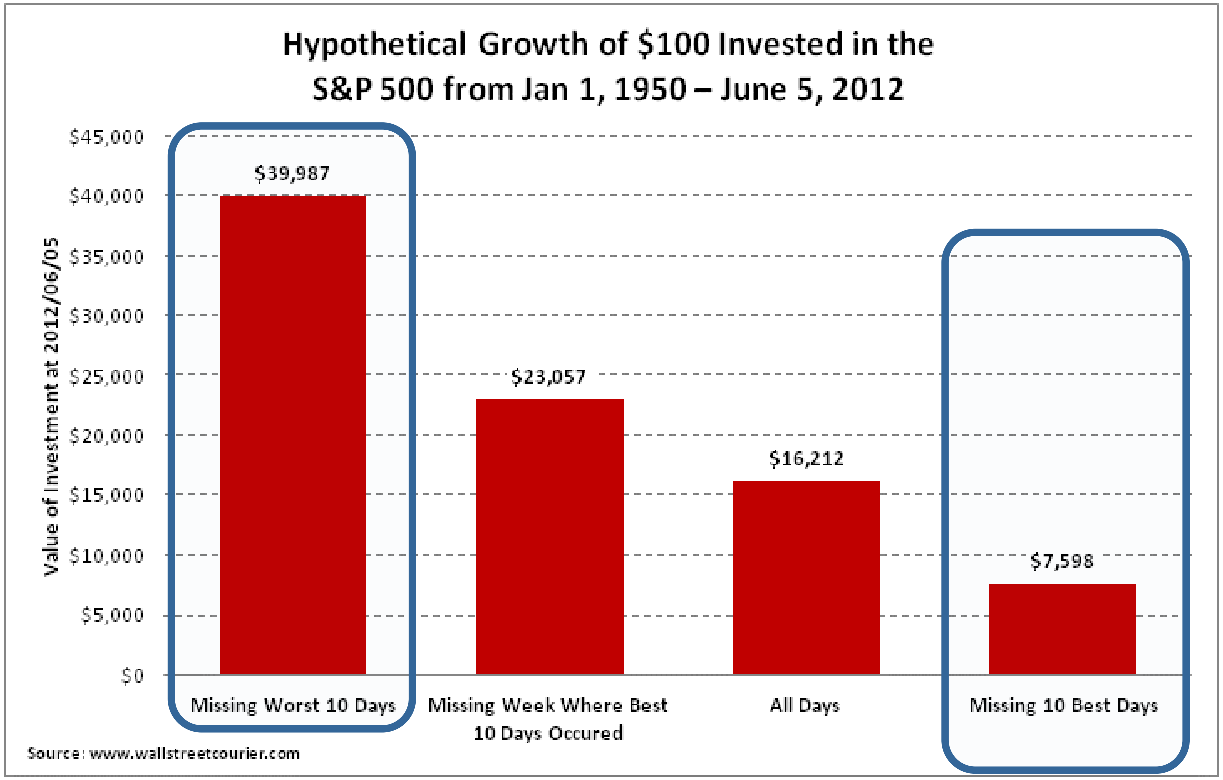
Last week, all major U.S. averages posted the biggest weekly gain of 2012, and this event has made headlines in the financial media.

For sure, some investors who decided to stay at the sidelines during the European crisis, have missed out last week's performance, have fallen victim to the so called "**Do not Miss the Ten Best Days**"-theory, which has been promoted **by the mutual fund industry** for many years.

The so called "**Do not Miss the Ten Best**" indicates that **investors** who just **missed out the best 10 days**, their return would be then **dramatically** reduced.

Missing Out The Best 10 Best Performing Days Would Have Reduced Your Gains By 53 Percent!

You would have gained 146 percent more than the S&P 500 by missing the worst 10 days!



Looking back at the performance of the S&P 500 since 1950, **an investor who missed out the best 10 best performing days would have ended up with a portfolio worth 53 percent less than one that had followed a buy and hold strategy.** Investors, who missed **out the worst 10 days, would have gained 146 percent more than the broad S&P 500**

Statistically, The Best Days Tend To Be In Close Proximity To The Worst Days!

One day after the market declined 7.6 percent on October 9, 2008, the S&P 500 rallied 11.6 percent, the biggest one-day gain in history!

- However, statistically those numbers do not look at the specific dates on those best/worst days appeared. **The best days tend to be in close proximity to the worst days!**
- Investors who **sold and remained out** of the market (S&P 500) after it **fell 20.5 percent** on Black Monday (October 19, 1987), would have **missed the 9.1 percent rally** which would occurred just two days later.
- An investor who threw in the towel after the market **declined 7.6 percent on October 9, 2008**, would have missed the **biggest one-day gain in history**, when the S&P 500 rallied 11.6 percent.

Overview			
Date for the Best 10 Days		Date for the Worst 10 Days	
2008-10-13	11.6%	1987-10-19	-20.5%
2008-10-28	10.8%	2008-10-15	-9.0%
1987-10-21	9.1%	2008-12-01	-8.9%
2009-03-23	7.1%	2008-09-29	-8.8%
2008-11-13	6.9%	1987-10-26	-8.3%
2008-11-24	6.5%	2008-10-09	-7.6%
2009-03-10	6.4%	1997-10-27	-6.9%
2008-11-21	6.3%	1998-08-31	-6.8%
2002-07-24	5.7%	1988-01-08	-6.8%
2008-09-30	5.4%	2008-11-20	-6.7%

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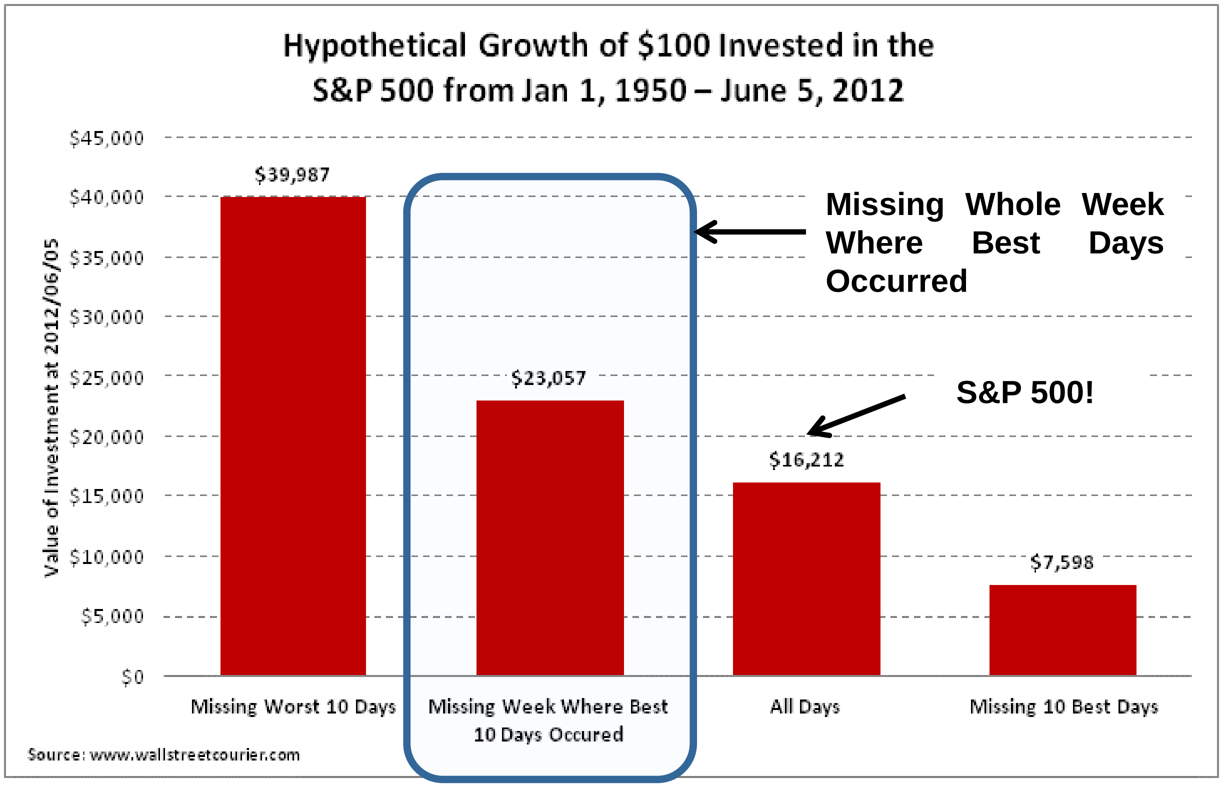
Why Missing One Of The Best Days Is Not As Bad As You Might Think!

Missing the whole week, where one of the best days occurred would have lead to better results!



Theoretically, if an investor would have just **stayed out of the market for the whole week**, where one of those best days have had occurred, he **would have had a great chance to miss one of the worst days as well.** In total, such an investor would have **ended up** with a portfolio worth **$23,057**, compared to just **$16,212 for the one that had followed a buy and hold strategy**!

The "Do Not Miss The Ten Best Days" Theory

Investors should stick to their chosen investment approach and should try to avoid emotional driven investing which is based on greed and fear caused by financial headlines!

A possible reason for this outcome might be the fact that **volatility tends to be higher** when the market is in a **longer lasting down-turn**. This phenomenon is well described in "The Misbehavior of Markets" by Mandelbrot. He states, that high volatility within the market mostly appears in clusters and for that reason, returns remain high, in both directions.

To prove this statement, we have used a **simple 200 day moving average**. The 200 day moving average is a very simple and well known technical market indicator. It helps to determine the overall market's health, since a market that is trading above its 200 day moving average is being considerate to be in a long term uptrend and the other way round. Interestingly, **9 out of 10 worst- and 10 out of 10 best days have occurred, when the S&P 500 has trades below its 200 day moving average.**

If you have missed the recent rally, it would not **have been as tragic as some marketing prospects from mutual fund companies may state.** More importantly, investors should stick to their chosen investment approach and should try to avoid emotional driven investing which is based on greed and fear caused by financial headlines.

Interested In Technical Analysis? We Would Recommend You To Consider The Following Steps:

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