

Santa's reindeer outdo U.S. senators at picking stocks, study finds

December 21 2020, by Amy Olson



Reindeer at Santa's Village in Jefferson, N.H. Credit: Christian M. Gainer

Santa's reindeer at Santa's Village in Jefferson, N.H., are more skilled at

selecting stocks than U.S. Senators and members of Congress were in 2020, according to a Dartmouth study. In analyzing the performance of stocks bought and sold by legislators, the researchers found little evidence that confidential information had been leveraged in terms of market timing and stock selection. The findings are reported in a [new working paper](#), and build on the team's earlier results reported in the [National Bureau of Economic Research \(NBER\)](#) Working Papers in April. The new study compares stock purchases by the legislators with those of Santa's reindeer as well as with top picks by U.S. brokerage houses.

"Contrary to what some people may think, U.S. Senators and House members have pretty limited stock-picking prowess but Santa's [reindeer](#) seem to have a real knack for it," explains co-author Bruce I. Sacerdote, the Richard S. Braddock 1963 Professor in Economics. "The strong performance of the reindeer portfolio could be due to luck, insight, or the magic of the season."

For the study, Sacerdote and four collaborators at Dartmouth, examined publicly listed stocks that were purchased and sold by Senators and House members from January 1 to December 14, 2020. Senators and House members are required to report their stock trades either electronically or through paper filings in accordance with the Stop Trading on Congressional Knowledge Act (STOCK Act). The research team tracked returns at roughly one, three and six-month horizons, and from the purchase (sale) until the end of the data period, using both the S&P 500 and the industry-size portfolios as benchmarks. During the time period, Senators made 589 buys and 747 sells while House members made 2,100 buys and 1,900 sells.

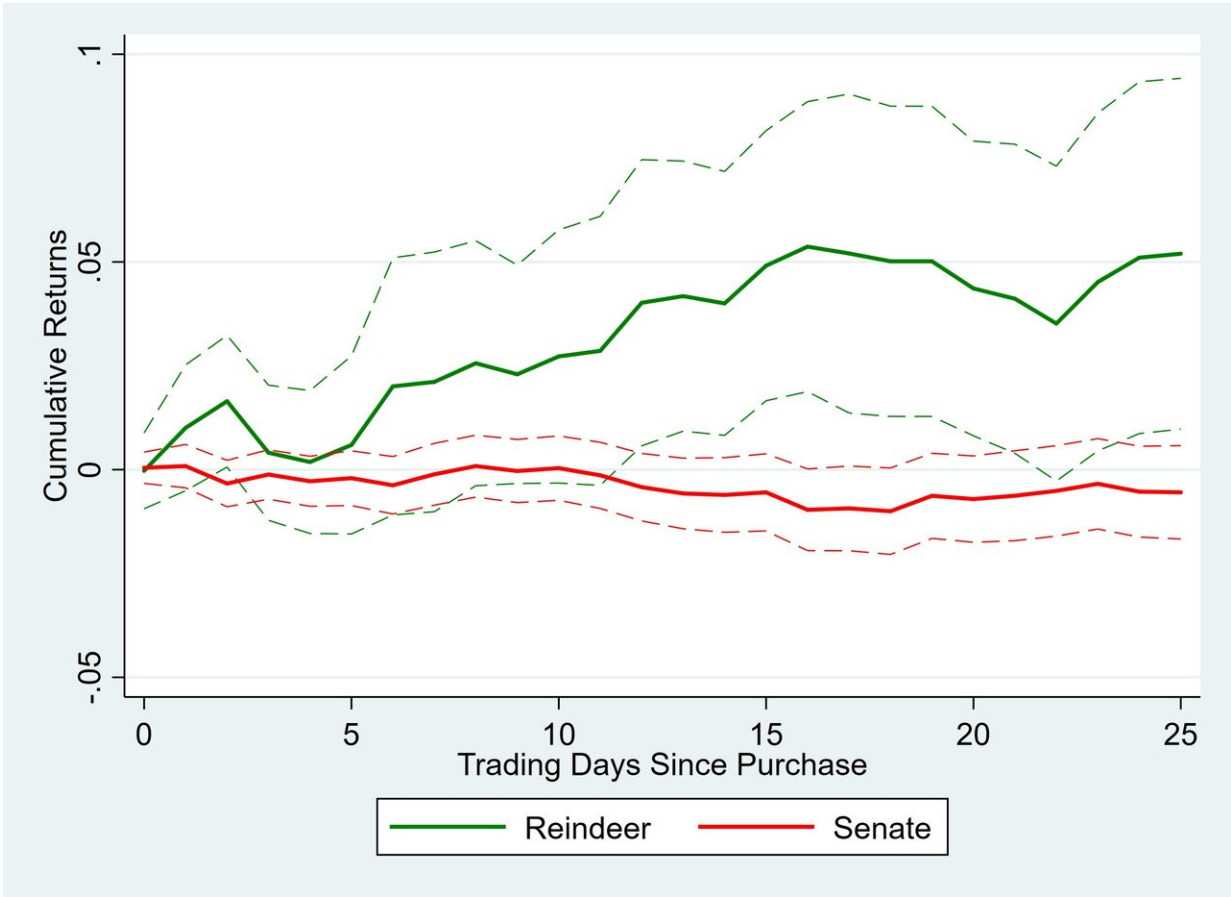


Chart illustrates buy and hold abnormal returns from the trade date forward for the first 25 trading days. Buy trades are from Senators during 2020 and Santa’s reindeer (at Santa’s Village) from November to December 2020. Returns are daily stock return minus the S&P 500 cumulated. Dashed lines show 95 percent confidence intervals. Credit: Bruce Sacerdote, et.al.

The results showed that stocks by legislators generally underperform the S&P slightly during the first month and underperform an industry-company size benchmark in the three- and six-months following purchase. For example, stocks bought by Senators underperform by 3.1 percent over six months while stocks bought by House members underperform by 3.1 percent over six months. Similarly, stocks sold by

Senators and House members underperform over six months.

In contrast, Santa's reindeer at Santa's Village were much better at picking stocks. Dasher, Dancer, Prancer, Vixen, Comet, Cupid, Donner, Blitzen, Rudolph and Boris (a trainee) selected 41 stocks, by making hoofprints on The Wall Street Journal's stock pages, which were spread out on the floor of their barn in November. The process was monitored by Christian the Elf, who relayed the reindeer picks to the researchers. In the first month alone (Nov.-Dec.), the reindeer portfolio outperforms the market by 4.9 percent. Their selections reflect a preference towards pharmaceutical companies, life science, technology, and entertainment stocks.

The co-authors speculate in the study that "Reindeer likely benefit from a high-level view which enables them to sniff out emerging trends and leap ahead of the crowd."

The researchers also evaluated the performance of top picks by [stock](#) analysts; however, the results proved statistically insignificant.

More information: Senators vs Santa's Reindeer: 2020 Stock Picking Roundup:

www.dartmouth.edu/~bsacerdo/Senators%20versus%20Reindeer.pdf

Provided by Dartmouth University

Citation: Santa's reindeer outdo U.S. senators at picking stocks, study finds (2020, December 21) retrieved 3 May 2024 from

<https://phys.org/news/2020-12-santa-reindeer-outdo-senators-stocks.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private

study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.