

A Big Argument for Buying and Then Monitoring

✘ A study showing that most stocks have failed to outperform one-month Treasury bills has been the topic of some discussion this year. **The analysis**, conducted by Arizona State University finance professor Hendrick Bessembinder, found that slightly more than four out of seven stocks have realized worse returns than one-month Treasuries. The finding drew attention, but there is far more to the study than just a quick soundbite. His study also reinforces the need to follow a disciplined approach toward investing.



Bessembinder calculated lifetime returns for stocks. He looked at all stocks included in the Center for Research in Security Prices (CRSP) database for the period of 1926 through 2016. A stock's lifetime was measured as the first month and last month it was included in the database. A stock was removed if it was acquired, merged, liquidated or delisted from an exchange. Out of the nearly 26,000 stocks that Bessembinder analyzed, more than a third (35%) were delisted. Fewer than one of 10 stocks within this subset realized a positive lifetime return, and an even smaller number had lifetime returns in excess of one-month Treasury bills.

Obviously, if the long-term return for stocks in aggregate is positive and a big group of losers exists, then there must be winners. Three out of five stocks (60%) categorized as "Still Trading" have lifetime returns in excess of one-month Treasury bills. A slightly higher proportion (63%) of stocks in the "Merger, Exchange or Liquidation" group beat one-month Treasury bills over their lifetimes.

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O'Neil's CAN SLIM up 55.4%...

MAGNET Complex up 52.3%...

Driehaus up 26.0%...

O'Shaughnessy up 14.5%...

Buffettology up 12.1%...

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(Return data as August 31, 2017)

More on AAI.com

- [Nine Rules for Smarter Investing](#) - The best way to ensure your lifetime returns are positive is

to have a disciplined approach. Here are fund manager Guy Spier's rules.

- [Rules-Based Investing Essential for Stock Investors](#) - For those of you who prefer a more active approach, here are Scott O'Neil's trading rules.
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Highlights from this month's *AAll Journal*

- [Expanding the Driehaus Growth and Momentum Screen](#) - This growth and momentum screen's criteria were loosened to identify more stocks with potential upside.
 - [Using Reverse Mortgages to Mitigate Periods of Poor Returns](#) - Properly used, reverse mortgages can both increase retirement withdrawals and reduce cash allocations.
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AAll Sentiment Survey

Neutral sentiment rebounded to a nine-week high. Optimism pulled back after having been above its historical average on back-to-back weeks for the first time since January. [More about this week's results.](#)

This week's results:

- Bullish: 33.3%, down 6.8 points
- Neutral: 37.9%, up 5.3 points
- Bearish: 28.7%, up 1.5 points

Historical averages:

- Bullish: 38.5%
- Neutral: 31.0%
- Bearish: 30.5%

Take the [Sentiment Survey](#).

The Week Ahead

We'll see more earnings reports from the early third-quarter reporters. On the calendar are S&P 500 members Lennar Corp. (**LEN**) and Paychex Inc. (**PAYX**) on Tuesday; Acuity Brands Inc. (**AYI**), Monsanto Co. (**MON**) and PepsiCo Inc. (**PEP**) on Wednesday; and Constellation Brands Inc. (**STZ**) and Costco Wholesale Corp. (**COST**) on Thursday.

The week's first economic reports will be the September Purchasing Managers' Manufacturing Index (PMI), the ISM's September manufacturing index and August construction spending. All three will be released on Monday. September motor vehicle sales will be released on Tuesday. Wednesday will feature the September ADP employment report and the September ISM non-manufacturing index. August international trade data and August factory orders will be released on Thursday. Ending the week, September jobs data—including the unemployment rate and the change in nonfarm payrolls—will be released on Friday. Keep the hurricanes in mind when reviewing economic data.

Eight Federal Reserve officials will make public appearances this week. Dallas president Robert Kaplan will speak on Monday. Federal Reserve chair Janet Yellen and St. Louis president James Bullard will speak on Wednesday. San Francisco president John Williams, Philadelphia president Patrick Harker and Kansas City president Esther George will speak on Thursday. Atlanta president Raphael Bostic, New York president William Dudley and Dallas president Robert Kaplan will speak on Friday.

Local Chapter Meetings

AAII Local Chapter Meetings offer you a variety of presentations from expert speakers who will give you their view on the world of investing. A bonus of attending a Chapter Meeting near you is the opportunity to meet other AAI members who share your interest and enthusiasm for investing. You can even share the Chapter experience with your family and friends by inviting them to attend Chapter Meetings with you! [Upcoming Meetings »](#)