

Investors, Turn Down the Volume

✘ In rock 'n' roll, turning up the volume is not only welcome, but is often outright called for.

While headbangers may want the volume cranked up, investors may prefer to have the volume set on low instead.

High volume signifies a large amount of interest among investors. Interest often is inversely related to mispricing. Put another way, the more investors there are trading a stock, the more likely the price fully reflects the current market sentiment about the company's presumed prospects. Take a look at the table to the right. The average amount of money traded daily in the median S&P 500 stock is far higher than not only the median S&P SmallCap 600 stock, but also 90% of all other exchange-listed stocks. Care to guess which stocks are more likely to be mispriced: the S&P 500 stocks or the more than 4,200 exchange-listed stocks not in the index?

3-MONTH DAILY AVERAGE VOLUME

Exchange-Listed Stock Deciles	Avg. Volume* (in thousands)
Lowest	\$399
2	\$1,198
3	\$1,489
4	\$3,994
5	\$6,971
6	\$9,692
7	\$15,986
8	\$26,967
9	\$62,597
Highest	\$1,419,512

Index Medians	
S&P SmallCap 600	\$9,723
S&P MidCap 400	\$35,993
S&P 500	\$172,011

**Three-month daily average dollar volume.
Source: Stock Investor Pro*

(A quick side note: The table to the right uses daily average dollar volume. It measures the number of dollars exchanging hands. Share volume, conversely, tells you how many shares are exchanging

hands. Dollar volume is a better comparative measure across stocks because the lower-priced stocks can have higher share volume than higher-priced stocks simply because an investor can buy a greater number of shares for the same amount of money.)

If high volume is the problem, then low volume would seem to offer advantages. Less interest implies fewer eyeballs and therefore a greater opportunity for mispricing. This is in fact the case. Part of the reason value—especially small-cap value—stocks outperform over the long term is that there is less buzz about them. They're not discussed on CNBC, featured in *Money* or otherwise talked about much by the various financial media outlets. As such, these stocks are more likely to be discounted and therefore have more potential upside. [Continue Reading »](#)

AAII Members Receive Tax Guidance



The December *AAII Journal* features our popular tax guide. This annual guide helps investors stay up to date with the ever-changing tax regulations, includes last-minute reminders for 2017 and provides preliminary tax strategies for 2018.

It will help you understand your current tax liability and what you can do to potentially lower your tax bill this year and next year.

[Start your AAI membership today](#) to get *The Individual Investor's Guide to Personal Tax Planning 2017*, and to benefit from everything AAI has to offer.

More on AAI.com

- [The Liquidity Style: Finding Bargains by Seeking Less Popular Stocks](#) - Yale professor Roger Ibbotson made the argument for investing in lower volume stocks in this 2013 *AAII Journal* article.

- [The Many Ways to Place a Buy or Sell Order](#) - A carefully placed limited order and some patience can get you a better execution price on a low-volume stock. This article explains how limit orders differ from market orders.
-

Highlights from this month's *AAll Journal*

- [The Individual Investor's Guide to Personal Tax Planning 2017](#) - Our annual tax guide has the information you need to start your year-end tax planning and begin planning for 2018.
 - [The Effect of Dividend Changes on Expected Cash Flows](#) - Rising dividends are often followed by a reduced variance in cash flows over the next five years.
-

AAll Sentiment Survey

Neutral sentiment fell to a five-week low. Plus, AAll members shared their thoughts about the nomination of Jerome "Jay" Powell as the next Federal Reserve chair. [More about this week's results.](#)

This week's results:

- Bullish: 36.9%, up 0.9 points
- Neutral: 28.9%, down 3.5 points
- Bearish: 34.2%, up 2.6 points

Historical averages:

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

Take the [Sentiment Survey](#).

AII Asset Allocation Survey

Cash allocations fell to their lowest level since December 1999. At the same time, stock and stock fund allocations rebounded to a five-month high. [More about the latest results.](#)

November AII Asset Allocation Survey results:

- Stocks and stock funds: 68.6%, up 0.6 percentage points
- Bonds and bond funds: 17.6%, up 0.7 percentage points
- Cash: 13.9%, down 1.2 percentage points

November AII Asset Allocation Details:

- Stocks: 29.0%, down 1.7 percentage points
- Stock Funds: 39.5%, up 2.3 percentage points
- Bonds: 3.9%, up 0.9 down percentage points
- Bond Funds: 13.7%, down 0.2 percentage points

Take the [Asset Allocation Survey](#).

What's Trending on AII

1. [The Individual Investor's Guide to Personal Tax Planning 2017](#)
 2. [Bond Basics for Individuals: A Guide to Buying and Selling](#)
 3. [Strategies for Managing Required Minimum Distributions](#)
-

The Week Ahead

Hanukkah starts on Tuesday evening. To those of you celebrating the festival of lights, may your dreidel land on gimel.

Only three S&P 500 companies are on the earnings calendar: Adobe Systems Inc. (**ADBE**), Costco Wholesale Corp. (**COST**) and Oracle Corp. (**ORCL**). All three will announce their results on Thursday.

The Federal Open Market Committee (FOMC) will hold its last meeting of the year starting on Tuesday. The CME Group's FedWatch Tool shows the futures market pricing in a 90% chance of a quarter-point rate hike. The meeting announcement and updated committee member forecasts will be released on Wednesday at 2:00 p.m. ET. Janet Yellen will hold what will probably be her last press conference as Fed chair at 2:30 p.m. ET.

The week's first economic report will be the October JOLTS report, released on Monday. Tuesday will feature the November Producer Price Index (PPI). The November Consumer Price Index (CPI) will be released on Wednesday. On Thursday, November retail sales, November import and export prices and October business inventories will be released. The December Empire State Manufacturing Survey and November industrial production will be released on Friday.

The Treasury Department will auction \$24 billion of three-year notes and \$20 billion of 10-year notes on Monday and \$12 billion of 30-year bonds on Tuesday.

In a milestone for cryptocurrencies, the CBOE will begin trading bitcoin futures on Monday. Just remember two longstanding axioms: 1) Just because you can trade something doesn't mean you should, and 2) The market can stay irrational far longer than you can stay solvent.

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 »](#)