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## The Predictive Value of the Signs of January Returns: Evidence of a New January Effect

19 Pages

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### Abstract

Many investment practitioners rely on the 'January Barometer', namely, they believe in the theory of 'as goes January, so goes the year', which is fundamentally related to the well-known January effect. Unlike many prior studies that examined the well-known January effect per se, we investigate the issue of whether or not the signs of January returns have superior predictive value for future stock returns vis-a-vis the predictive value of the signs of returns in any other calendar month.

Using NYSE equal-weighted stock index, we confirm the existence of the January effect in the sample period of 1941-2002 with both unconditional and conditional evidence, and we document two additional manifestations of the well-known January effect. We also introduce a new type of January effect, namely the signs of January returns have superior predictive value vis-a-vis the signs of any other calendar month's returns for the purpose of predicting the next 12-months' returns.

**Keywords:** January effect, signs of current returns, predicting future returns[Suggested Citation](#) >[Show Contact Information](#) >[Download This Paper \(Delivery.cfm/SSRN\\_ID525162\\_code342762.pdf?abstractid=525162&mirid=1\)](#)[Open PDF in Browser \(Delivery.cfm/SSRN\\_ID525162\\_code342762.pdf?abstractid=525162&mirid=1&type=2\)](#)

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