Kansas City Chiefs vs. Tampa Bay Buccaneers

Should stock market investors hope for a Chiefs win in Super Bowl LV?

Is there actually a difference in the annual performance of the stock market, depending on who wins the Super Bowl? Should you really consider altering your investment plans based on who wins? Let's explore this interesting question as we approach Super Bowl LV (or Super Bowl 55 if you didn't take Latin in high school).

The Super Bowl

The inaugural Super Bowl took place in January 1967. The Green Bay Packers, who had already won several NFL championships in that decade, beat the AFL champion Kansas City Chiefs.

The Super Bowl developed so that the NFL (National Football League) champions could play the AFL (American Football League) champions. The NFL started in 1920, while the AFL began its first season in 1960.

Before the 1970 season, the AFL joined the NFL, forming the NFC (National Football Conference) and the corresponding AFC (American Football Conference). To even out the number of teams in each league, the Pittsburgh Steelers, Cleveland Browns (now Baltimore Ravens), and Baltimore Colts (now in Indianapolis) moved to the AFC.

The Winners

Of the 54 Super Bowls already played, both the NFC and AFC have won 27. The NFC and former NFL teams have won 37 games, while the old AFL teams have won 17 times. The most successful teams include the Pittsburgh Steelers and the New England Patriots, who have won 6 Super Bowls, the San Francisco 49ers and Dallas Cowboys, with 5 victories each, and the Green Bay Packers and New York Giants, with each with 4 wins. All of these teams are in the NFC/former NFL group, except for the New England Patriots, who are in the AFC.

The Super Bowl & the Stock Market

Oddly enough, if you review data from the past 54 years, a pattern has emerged, which has been called the Super Bowl Indicator. But the pattern doesn't hold any weight when looking at the past 12 years, which included one of the longest-running bull markets of all time.

Reviewing 54 years of data tells us that when the winner is an NFC team or a former NFL team (Steelers, Colts, or Ravens (formerly the Browns)), the stock market has, more often than not, risen that year. When an AFC team wins, the stock market has fallen more often than not.

That of course, did not happen last year as the Kansas City Chiefs defeated the San Francisco 49ers 31-20 in Super Bowl LIV and the DJIA moved up over 7% after having weathered a pandemic-induced bear market earlier in the year.

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And it did not happen the year before as the New England Patriots defeated the Los Angeles Rams 13 – 3 in Super Bowl LIII and the DJIA skyrocketed more than 25%.

And it did not happen the year before as the Philadelphia Eagles defeated the New England Patriots 41 – 33 in Super Bowl LII and the DJIA lost about 6%.

And it did not happen the year before that as the New England Patriots defeated the Atlanta Falcons 34-28 in what many consider the greatest Super Bowl comeback in history. Remember the DJIA surged more than 25% that year?

And the year before? Well, the AFC Champion Denver Broncos defeated the Carolina Panthers 24-10 and the DJIA rose by more than 13%.

So, the Super Bowl indicator has been wrong five years in a row. But in case you're keeping score, the Super Bowl Indicator was accurate in 2015, 2014, 2012, 2011, and 2010 and very wrong in 2013 and 2009.

In other words, the Super Bowl Indicator has been accurate about 40% of the time over the past 12 years. Kind of seems like the indicator needs to be reversed. Or maybe it seems more like a coin toss?

So, Where Does This Indicator Come From?

New York Times sportswriter Leonard Koppett originally introduced this "Super-Bowl indicator" in 1978. He observed that in 10 of the 11 Super Bowls at the time, the outcome of the Super Bowl foretold the direction of the DJIA.

He found that, when an old AFL team won, the market fell for the year; when an old NFL team won, the market rose.

Koppett's observed pattern has, strangely enough, continued to hold true over longer periods of time. For 40 of the 54 Super Bowl years, the Super Bowl Indicator has worked. This means that the Super Bowl Indicator has predicted the annual direction of the DJIA for the year almost 75% of the time. When considering the year-end status of the S&P 500 – considered a more broad-representation of the stock market by many – the Super Bowl Indicator has worked for 33 of the 54 Super Bowl years, for a rate of 61%.

Specific Teams

So, how does this play out for individual teams? For the leading teams in the NFC/former NFL group, very well.

- After all 6 of the Steelers' Super Bowl victories, the DJIA rose by the end of the year.
- In 4 of the 5 years following a 49ers victory, the DJIA rose.
- In 4 of the 5 years following a Cowboys victory, the DJIA rose.
- The DJIA rose for the year after all 4 of the Packers' victories and after 3 of the 4 Giants' victories.
- After all 3 of the Washington Redskins' victories, the DJIA rose for the year.

For the AFC teams, not so well:

- The DJIA fell for the year after 3 of the Patriots' 6 Super Bowl victories.
- After all 3 of the Oakland/Los Angeles Raiders' victories, the DJIA fell for the year.
- Even the Miami Dolphins undefeated season, capped by victory in the 1973 Super Bowl, did not save the AFC from its curse. The DJIA sank by the end of 1973.

No matter how heroic the performances of Tom Brady (yea he's in the NFC now), John Elway, or Joe Namath, an AFC winner generally did not bode well for the DJIA – sort of. But maybe a younger generation of AFC quarterbacks (Patrick Mahomes) is starting a new trend?

Explanation

One explanation of this so-called Super Bowl Indicator is very straightforward: the DJIA usually increases as it has in 39 of the past 54 years. And the NFC/old NFL teams usually win the Super Bowl, as has happened 37 of 54 times. Both occurred in the same year on 29 occasions. However, it is still striking that the direction of the DJIA has been predicted accurately almost 75%

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of the time since 1967 simply by the conference to which the Super Bowl winner belongs.

So, with the Kansas City Chiefs as 3-point favorite over the Buccaneers, does that mean that 2021 is “favored” to witness the stock market’s decline? Or has Patrick Mahomes reversed the trend?

While there is an interesting correlation between the Super Bowl victor and the stock market, there is of course, no causation.

The Chiefs, Steelers, Cowboys, 49ers, and Patriots simply do not have any influence on the DJIA for the year (sounds obvious, doesn’t it?). Don’t credit the Steelers’ legendary defense or blame the Patriots’ much-celebrated passing game for the direction of the market, unless you find it amusing to do so.

People like to look for patterns in random data because it makes life more interesting. However, the key to successful long-term investing, of course, lies elsewhere. Still, it’s fun to be an armchair analyst/quarterback looking at unique measurements that have nothing to do with traditional financial measures.

But Should We All be Chiefs Fans?

The Kansas City Chiefs have been in the Super Bowl three times: in Super Bowl I in 1967; Super Bowl IV in 1970 and in last year’s Super Bowl LIV. They lost in Super Bowl I and won Super Bowl IV and Super Bowl LIV.

Interestingly, the markets were up more than 15% in 1967, up almost 5% in 1970 and up over 7% in 2020.

Should we always root for the Chiefs to make it to the Super Bowl? Just a thought…

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