Mythbusting at NDR

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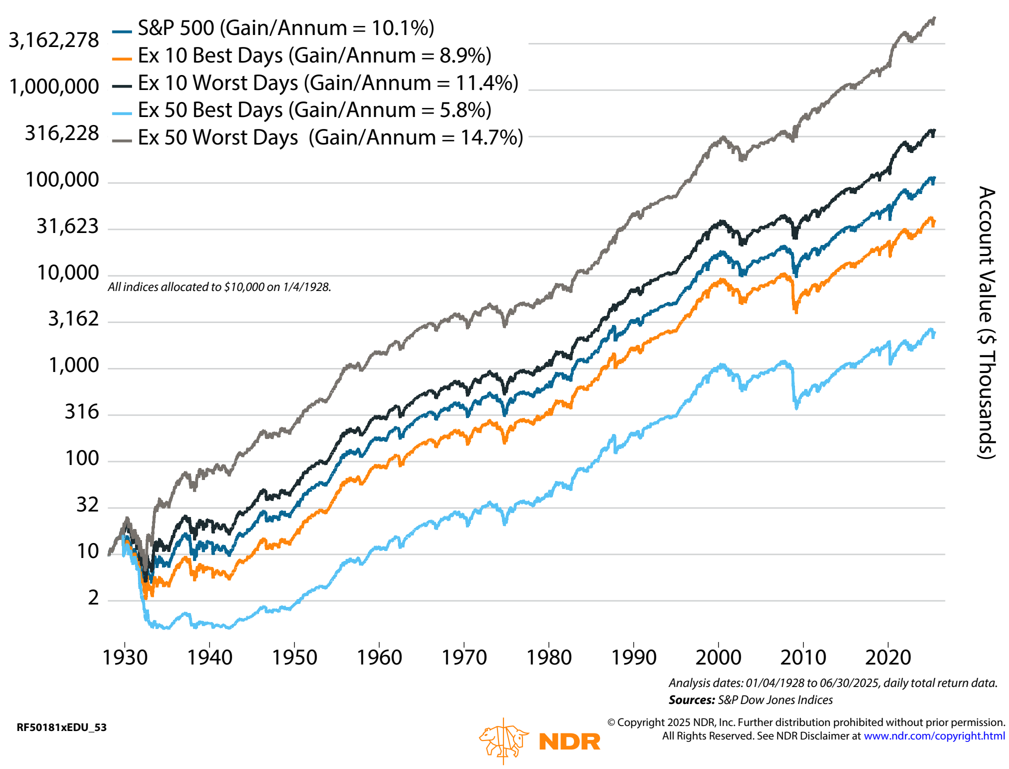
This issue of Integrated Analyst demonstrates how CRS performs deep-dives into generally accepted truths about investing. Here, we take a closer look at the widely publicized "Best Days in the Market" study. *Myth: Attempts to time the market are futile because investors would miss out on the best performing days.*

Q: Is it true that investors would massively underperform if they missed the 10 best days in the market?

A: Yes, it is true. Removing just the top 10 performing days from the S&P 500, dating back to 1928, results in a loss of more than 120 basis points (bps) per annum when compared to buy and hold! Even more so, removing the top 50 days results in a loss of more than 400 bps per annum, a huge missed opportunity and a commonly cited reason why investors should stay fully invested in the market (chart, left).

The reverse is also true for missing out on the market's worst days of performance. The S&P 500 performance minus the 10 worst and 50 worst performing days produces tremendous gains when compared to buy and hold, which is also featured in the chart.

S&P 500 Index excluding best and worst days



Q: When were the 10 best days, and when were the 10 worst days?

A: The 10 best and 10 worst days (identified on a price-only basis) for the S&P 500 since 1928, in chronological order, are presented in the table below.

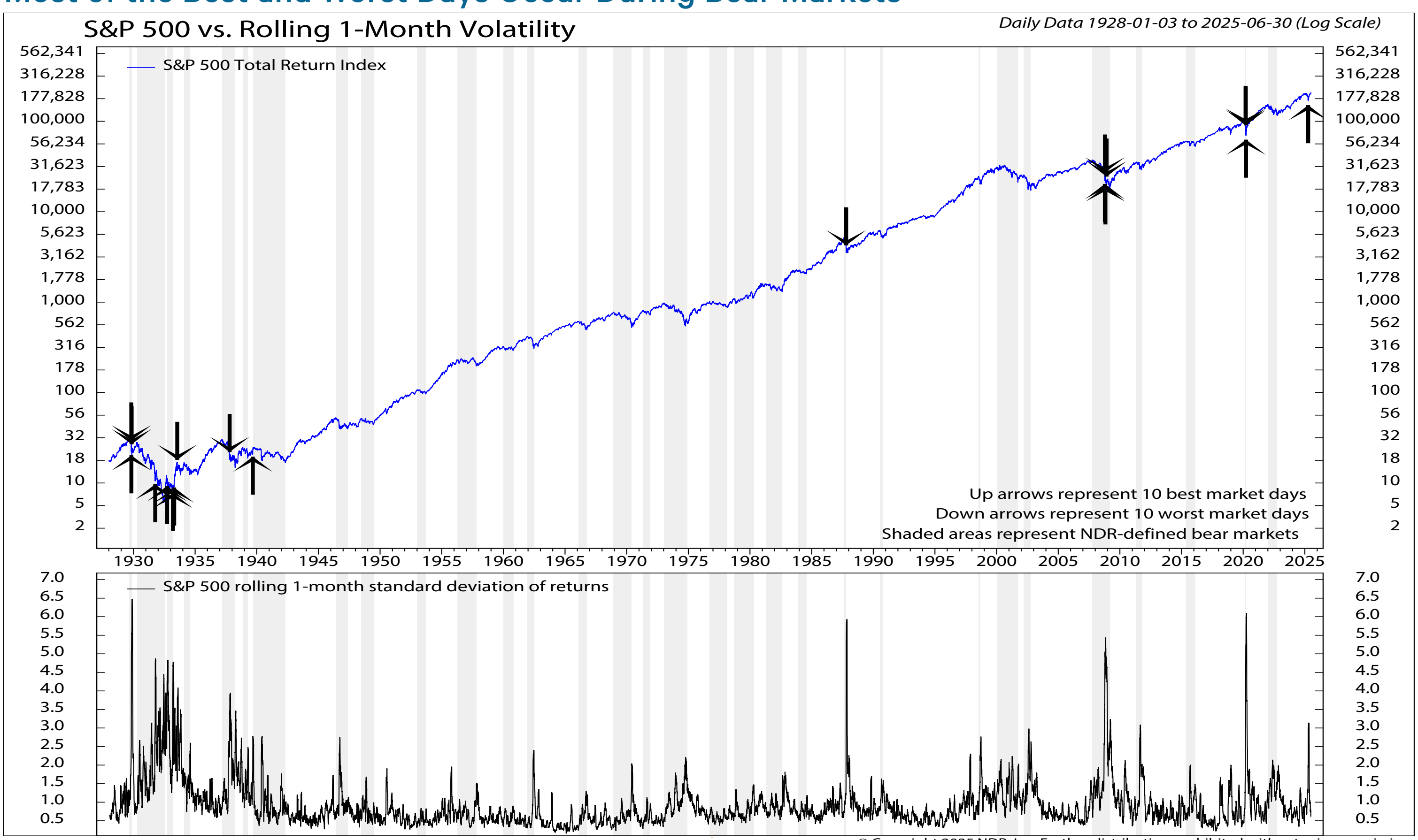
The chart at the bottom of this page plots these dates alongside the S&P 500, showing that the 10 best days (up arrows) and 10 worst days (down arrows) in S&P 500 history are clustered around times of extreme volatility, including the Great Depression, the Global Financial Crisis, and the Covid pandemic.

Notably, five of the 10 best days and nine of the 10 worst days occurred during bear markets (shaded in grey in the chart).

Best Date	Price Return (%)	Market Type	Worst Date	Price Return (%)	Market Type
1929-10-30	12.53	BEAR	1929-10-28	-12.34	BEAR
1931-10-06	12.36	BEAR	1929-10-29	-10.16	BEAR
1932-09-21	11.81	BEAR	1929-11-06	-9.92	BEAR
1933-03-15	16.61	BULL	1933-07-20	-8.88	BULL
1933-04-20	9.52	BULL	1937-10-18	-9.27	BEAR
1939-09-05	9.63	BULL	1987-10-19	-20.47	BEAR
2008-10-13	11.58	BEAR	2008-10-15	-9.03	BEAR
2008-10-28	10.79	BEAR	2008-12-01	-8.93	BEAR
2020-03-24	9.38	BULL	2020-03-12	-9.51	BEAR
2025-04-09	9.52	BULL	2020-03-16	-11.98	BEAR

Source: S&P Dow Jones Indices.

Most of the Best and Worst Days Occur During Bear Markets



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Q: Is it possible that, if I'm trying to time the market, I would miss the 10 best days? What are the odds of missing out on just the top 10 or top 50 days?

A: The "10 Best Days" study is often used as a warning to discourage attempts at market timing, since, as shown earlier, missing the top 10 days could dramatically detract from realized returns.

However, the truth is it's highly unlikely to miss participating in only the top 10 days while staying fully invested the rest of the time! Similarly, the odds of missing only the 10 worst days are also miniscule since the best and worst days in the market are statistical outliers.

Just for fun, let's look at what happens when we remove both the best and worst days at the same time (which is also extremely unlikely). Interestingly, the table below shows that missing both the best days along with the worst days produces gains *about the same* as buy/hold.

Breakdown by Best, Worst, and Both

Full History (1/04/1928 - 6/30/2025)

Exclusion:	Days Excluded:			
	10		50	
	GPA (%)	Growth of $10,000	GPA (%)	Growth of $10,000
Best Days	5.03	$1,194,666	2.10	$76,014
Worst Days	7.48	$11,377,686	10.60	$186,085,379
Best & Worst Days	6.30	$3,881,735	6.34	$4,039,525
Buy/Hold Gain/Annum = 6.19%				
Buy/Hold Growth of $10,000 = $3,501,665				

Q: So, is this an argument for or against market timing?

A: A study showing the impact of missing 10 or 50 days over the past 95 years of market activity doesn't prove or disprove the potential benefits of market timing. Market timing aims to avoid prolonged bear markets, not just a few volatile days here and there. Market timing is a reasonable endeavor for those with sufficient risk tolerance. As we have shown, big up days often occur near the big down days, so market timers are unlikely to hit the down days and miss the up days entirely, and vice versa. *Myth, busted!*

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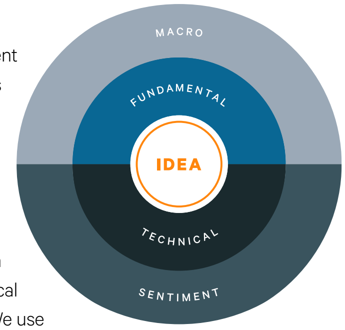

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