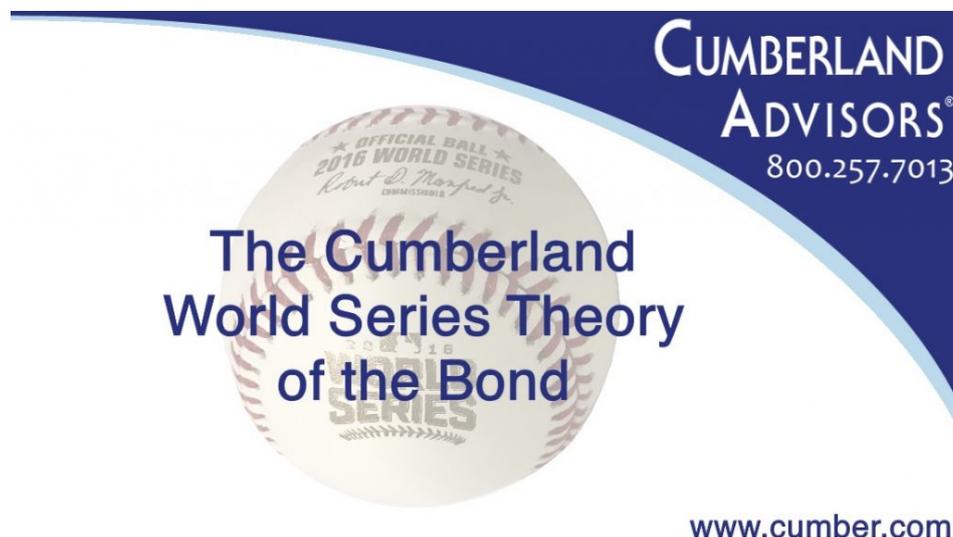


# The Cumberland World Series Theory of the Bond

Most investors have heard of the “Super Bowl Theory of the Dow.” This theory, first proposed by sportswriter Leonard Koppett in the 1970s ([source: Wikipedia](#)), posited that when a team from the “old” NFL (the current NFC plus the Colts, Browns, and Steelers, who joined the AFC in 1970) won the Super Bowl, the Dow Jones Industrial Average would advance in the year following the Super Bowl.



If a team from the AFC won the Super Bowl, the Dow would decline. Amazingly, this theory has worked out almost 80% of the time, though the February 2017 Super Bowl, won by the Patriots (AFC), did NOT accurately predict the stock market (up in 2017). The correlation, of course, is just a coincidence: There is no connection between a conference winning the Super Bowl and subsequent returns in the stock market, and thus there is no reason to think that the Super Bowl can be used to predict markets.

But we decided to have a little fun; and since it's World Series time, we wanted to see whether there was any tie-in to

how the BOND MARKET did in the calendar year following a World Series win by either the American League or National League. The easiest data to use was the 10-year US Treasury bond and its return in a calendar year. We measured TOTAL return (coupon and price) and then took away headline inflation (CPI). (By the way, we have this data in our bond models, so it was easy to deploy for a “fun” topic.) We went back to 1966 to have a similar time period to the Super Bowl.

Our results are below:

Year	Americal League Team	National League Team	Winner	Following Year Real Return (10-Year Treasury)
1966	Baltimore Orioles	Los Angeles Dodgers	Baltimore Orioles	-4.126%
1967	Boston Red Sox	St. Louis Cardinals	St. Louis Cardinals	-1.261%
1968	Detroit Tigers	St. Louis Cardinals	Detroit Tigers	-10.436%
1969	Baltimore Orioles	New York Mets	New York Mets	10.506%
1970	Baltimore Orioles	Cincinnati Reds	Baltimore Orioles	6.262%
1971	Baltimore Orioles	Pittsburgh Pirates	Pittsburgh Pirates	-0.356%
1972	Oakland Athletics	Cincinnati Reds	Oakland Athletics	-4.849%
1973	Oakland Athletics	New York Mets	Oakland Athletics	-10.012%
1974	Oakland Athletics	Los Angeles Dodgers	Oakland Athletics	-3.067%
1975	Boston Red Sox	Cincinnati Reds	Cincinnati Reds	10.538%
1976	New York Yankees	Cincinnati Reds	Cincinnati Reds	-5.020%
1977	New York Yankees	Los Angeles Dodgers	New York Yankees	-9.238%
1978	New York Yankees	Los Angeles Dodgers	New York Yankees	-12.110%
1979	Baltimore Orioles	Pittsburgh Pirates	Pittsburgh Pirates	-14.774%
1980	Kansas City Royals	Philadelphia Phillies	Philadelphia Phillies	-0.480%
1981	New York Yankees	Los Angeles Dodgers	Los Angeles Dodgers	27.817%
1982	Milwaukee Brewers	St. Louis Cardinals	St. Louis Cardinals	-0.169%
1983	Baltimore Orioles	Philadelphia Phillies	Baltimore Orioles	9.674%
1984	Detroit Tigers	San Diego Padres	Detroit Tigers	20.990%
1985	Kansas City Royals	St. Louis Cardinals	Kansas City Royals	22.105%
1986	Boston Red Sox	New York Mets	New York Mets	-8.600%
1987	Minnesota Twins	St. Louis Cardinals	Minnesota Twins	3.854%
1988	Oakland Athletics	Los Angeles Dodgers	Los Angeles Dodgers	12.449%
1989	Oakland Athletics	San Francisco Giants	Oakland Athletics	0.239%
1990	Oakland Athletics	Cincinnati Reds	Cincinnati Reds	11.441%
1991	Minnesota Twins	Atlanta Braves	Minnesota Twins	4.807%
1992	Toronto Blue Jays	Atlanta Braves	Toronto Blue Jays	9.947%
1993	Toronto Blue Jays	Philadelphia Phillies	Toronto Blue Jays	-8.429%
1994	Player's Strike	Player's Strike	Player's Strike	20.247%
1995	Cleveland Indians	Atlanta Braves	Atlanta Braves	-1.817%
1996	New York Yankees	Atlanta Braves	New York Yankees	8.234%
1997	Cleveland Indians	Florida Marlins	Florida Marlins	10.752%
1998	New York Yankees	San Diego Padres	New York Yankees	-8.013%
1999	New York Yankees	Atlanta Braves	New York Yankees	11.347%
2000	New York Yankees	New York Mets	New York Yankees	5.264%
2001	New York Yankees	Arizona Diamondbacks	Arizona Diamondbacks	12.122%
2002	Anaheim Angels	San Francisco Giants	Anaheim Angels	-0.004%
2003	New York Yankees	Florida Marlins	Florida Marlins	1.156%
2004	Boston Red Sox	St. Louis Cardinals	Boston Red Sox	-0.987%
2005	Chicago White Sox	Houston Astros	Chicago White Sox	0.133%
2006	Detroit Tigers	St. Louis Cardinals	St. Louis Cardinals	6.118%
2007	Boston Red Sox	Colorado Rockies	Boston Red Sox	17.880%
2008	Tampa Bay Rays	Philadelphia Phillies	Philadelphia Phillies	-8.750%
2009	New York Yankees	Philadelphia Phillies	New York Yankees	7.875%
2010	Texas Rangers	San Francisco Giants	San Francisco Giants	12.630%
2011	Texas Rangers	St. Louis Cardinals	St. Louis Cardinals	2.420%
2012	Detroit Tigers	San Francisco Giants	San Francisco Giants	-7.540%
2013	Boston Red Sox	St. Louis Cardinals	Boston Red Sox	8.240%
2014	Kansas City Royals	San Francisco Giants	San Francisco Giants	0.900%
2015	Kansas City Royals	New York Mets	Kansas City Royals	-1.050%
2016	Cleveland Indians	Chicago Cubs	Chicago Cubs	0.441%
2017	Houston Astros	Los Angeles Dodgers	Houston Astros	???

	American League Winner	National League Winner
<b>Number of Years with Positive Return</b>	15	13
<b>Number of Years with Negative Returns</b>	12	10
	American League Winner	National League Winner
<b>Average Return</b>	2.390%	3.066%
	American League Winner	National League Winner
<b>Average Up Year</b>	9.123%	9.176%
<b>Average Down Year</b>	-6.03%	-4.877%

What do the results tell us? Frankly, not as much as we hoped.

Some notes: We used the full calendar year AFTER the World Series. And we ignored 1995, which followed a year when there was not a World Series due to the players' strike. In the bond market, 1995 was a big year because the market rebounded after the carnage of 1994.

In the 51 years that we measured, the American League won the World Series 27 times and the National League triumphed 23 times. The bond years following an American League winner had a positive return 15 years and a negative return 12 years. The AVERAGE bond market return following an American League winner was 2.39%. The average UP year for an American League winner was 9.12%, and the average DOWN year following an American League winner was -6.03%.

The National League numbers look a bit more promising. In the 23 years that the senior circuit won the World Series, the AVERAGE return was 3.06%, 67 basis points higher than the average American League return (remember, these are total returns, inflation-adjusted). The average POSITIVE return for the National League was 9.18%, fairly comparable to the American League's 9.12%. But the average DOWN year for the National League was -4.88%, considerable less than the American League's -6.03%.

At some point we may go back another fifty years to add to the study, since we have a much longer record for the World Series than we do for the Super Bowl (which started after the 1966 season).

But the results would suggest that the bond market on average does better after a National League win in the Series, with a slightly better upside number and a considerably better downside number. What does 2018 hold? Well the American League Houston Astros won the World Series last year over the Los Angeles Dodgers. But wait – the Astros were a National League

team until 2013! So with this mixed history, the 10-year Treasury to date has a total return of approximately -3% through the end of the third quarter, with inflation of approximately 1.4% through the first nine months. That's a total return through nine months (after inflation) of roughly -4.4%. If we have a flat quarter, that should suggest that a down year this year would be more like a National League return (and Houston was an National League team for all but six years of its 56-year existence). Of course the returns will change between now and the end of the year. The volatility in the equity markets, slowing housing markets in a number areas of the country, and possible worries about SALT provisions in the tax bill may start to push more assets into a bond market that has been oversold in general – particularly given that trailing headline inflation has dropped from 2.9% to 2.3% in the past three months.

As for next year, we know we fare somewhat better with the National League, but GO RED SOX!

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