2017 Harvard MBA Indicator Is Still Bullish
By Ray Soifer

For many years, I have been keeping track of a rather esoteric but nonetheless usually accurate long-term indicator of the US stock market: the percentage of Harvard MBA graduates choosing careers in Wall Street and related market-sensitive fields. If 10% or less of the year’s class take market-sensitive jobs (which I identify, using the Business School’s current reporting categories, as investment banking/sales & trading, investment management, or private equity/venture capital/leveraged buy-outs), that’s a long-term “Buy” signal. If 30% or more do so, that’s a long-term “Sell” signal.

Data posted today by HBS show that 29% of the MBA class of 2017 chose market-sensitive careers, compared with 26% in 2016, 29% in 2015 and 30% in 2014. Thus, the Harvard MBA Indicator is continuing to signal a long-term “Neutral.”

The Indicator has been more prolific as a source of long-term “Sell” signals -- e.g., 1987, 2000-02, 2005-08, 2010-12, and 2014 -- than long-term “Buy” signals. The last time it reached the 10% long-term “Buy” level was in 1982, heralding what turned out to be a historic bull market.

While not necessarily long-term “Buy” signals, upgrades from “Sell” to “Neutral” – i.e., when the Indicator falls through the 30% level without reaching 10% – are also bullish indications for stocks. Such upgrades have occurred in 1988, 2003, 2009, 2013 and 2015, followed in each case by a stock market rally lasting at least a year. With readings of 26% in 2016 and now 29%, the bullish signal of 2015 is still in effect.

As far as I know, the record low was reached in 1937, when only three MBAs, about 1%, went into Wall Street. It was a good time to buy. The record high of 41% occurred in 2008. It proved an excellent time to sell. No market indicator is always right, but in the years I’ve been tracking this, one has been wrong only once: the “Sell” signal in 2010-2012. Even Harvard MBA watchers shouldn’t try to fight the Fed.

As a market timing tool, the Harvard MBA Indicator has some obvious drawbacks. Harvard only graduates one MBA class a year, and there is a long reporting lag: most graduates make their career decisions in the spring, or earlier, but figures are not available until the following October or November. Yet, especially for long-term investors with multi-year time horizons, it's worth keeping an eye on. Besides, it's fun!

For further information, see http://soiferconsulting.yolasite.com/harvard-mba-indicator.php
Telephone: 1.520.648.1538
E-mail: rsoifer@post.harvard.edu