

## **2001 Harvard MBA Data Reiterate Long-Term Sell Signal**

*by Ray Soifer*

For many years I have been keeping track of a rather esoteric but nonetheless generally accurate long-term indicator of the US equity market: the percentage of Harvard MBA graduates choosing careers on Wall Street. If 10% or less of the year's class enters Wall Street (defined, using the Business School's current terminology, as investment banking, investment management, sales & trading, venture capital, private equity or leveraged buy-outs), that's a long-term buy signal. Conversely, if 30% or more do so, that's a long-term sell signal.

Data released last week show that 32% of Harvard's MBA class of 2001 chose careers on Wall Street, thus reiterating the long-term sell signal sent a year earlier when 30% of the Class of 2000 did so. Comparable figures were 28% in 1999 and 29% in 1998. Prior to 2000, the last such sell signal was given in 1987.

Historically, the Harvard MBA indicator has been more prolific as a source of sell signals than buy signals. The last time it reached the 10% "buy" level was in the early 1980s, when the Dow traded below 1,000. In the late 1980s and early 1990s, it hovered generally in the mid-teens. As far as I am aware, the all-time low was reached in 1937, when only three graduates -- about 1% -- were adventurous enough to venture into the securities industry. If you had bought stocks in 1937, you'd have done pretty well since.

As a practical market-timing tool, the Harvard MBA indicator has some obvious drawbacks. It only comes out once a year, with a long reporting lag: most graduates make their decisions in the spring but the figures are not released until late September or early October. Yet, for long-term investors who can think in terms of decades rather than months or quarters, it's worth keeping an eye on. Besides, it's fun.

*(P.S. I received my MBA from Harvard in 1965, when I did my best to prop up Wall Street by not going there. I took my first Wall Street job, as defined above, in 1969. However, since I was an alumnus rather than a current-year graduate, that choice did not influence the statistics.)*