DISCERNING STOCK-MARKET DIRECTION AHEAD OF TIME

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How can you know ahead of time if the stock market is going to go up or down the next day?

You can’t. But you can try.

Both of the major US stock markets (the New York Stock Exchange [NYSE] and the NASDAQ) close trading at 4 pm EST. But investors continue to place orders from 4 pm till 9:30 am the next morning; those orders then get processed as soon as the market opens. If you watch how investors invest during the night, you can get an idea whether the market will go up or down when it opens.

What the market will do the rest of the day is less certain. But it is to some extent indicated by trading during the night. And there are other indications:

the strength of trading direction during the night (how *far* up or down trading goes)

the occurrence of a big drop or rise the day before (reversion to the mean suggests a move in the opposite direction the next day)

good news during the evening (e.g., an announcement by Congress of plans to shore up the economy)

I also watch trading on international exchanges. Since the sun rises in the east, the international markets in Asia and Europe will already have been trading for several hours before the NYSE and NASDAQ open. If investors in Asia and Europe are betting their money that the market will go up or down, US investors probably will too.

Some of the major international stock exchanges are: the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Hong Kong Stock Exchange, the Japan Exchange Group, Euronext (European Union), the London Stock Exchange, and the Bovespa (Brazil). But I don’t follows these individually. The BBC reports international trading 2 or 3 times during the night. Or you can watch them at https://www.bloomberg.com/markets/stocks/futures.