


Jim Cramer's *Mad Money* Portfolio Characteristics

Screenplay Review - Money Monster [Photograph found in CNBC, Englewood Cliffs]. (n.d.). Retrieved from scriptshadow.net

Interest


- **Intrigued in the potential profit in the stock market**
 - **Credibility of *Mad Money***
 - **Using Comp Sci for data analysis**
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Current Literature

- **Mr. Cramer's effect on the Stock Market**
- **All Segments of the show**
- **Short term Returns are highest for "Cramer's strongest buy recommendations"¹**

1. Bolster, P. J., & Trahan, E. A. (2009). Investing in Mad Money: Price and Style Effects. *Financial Services Review*, 18, 69-86. doi:1057-0810/09/\$

Research Gap

- **Consistency of returns when compared with S&P 500**
 - **Categorization of returns by Market Capitalization and Sector**
 - **Dispersion of stocks to show reliability**
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Research Question

- **What are the characteristics of a *Mad Money* portfolio, and how does it perform based on these characteristics when compared with the S&P 500 index?**

Defining Characteristics

- **Percent Change of S&P 500 and stocks**
- **Market Capitalization**
- **Sector of market**
- **Accounting for dividends**

Null Hypothesis (H_0)

- *Mad Money* performs better than the S&P 500

Alternate Hypothesis (H_a)

- The difference in growth between the portfolio and the index is not significant and the portfolio is a representative sample of the market

Methods

- Repeats treated as separate stocks
- 251 Business Days = one year
- Python used for data manipulation and calculations
 - Yahoo Finance API
 - THESTREET.COM

□ Beta Coefficient and Variance

Python - Pandas Library

- **Tool used to combine and arrange data for every stock**
 - **Found Percent change of each stock over 2 years (502 BD)**
 - **Output spreadsheet with average return of all stocks based on initial recommended date**
 - **Spreadsheet with return in comparison to S&P 500 index**

Results

- **88 stocks recommended from second two quarters of 2016**

Tests Used

- **Variance**
- **Interquartile Range**
- **Percent Change**
- **Beta Coefficient**

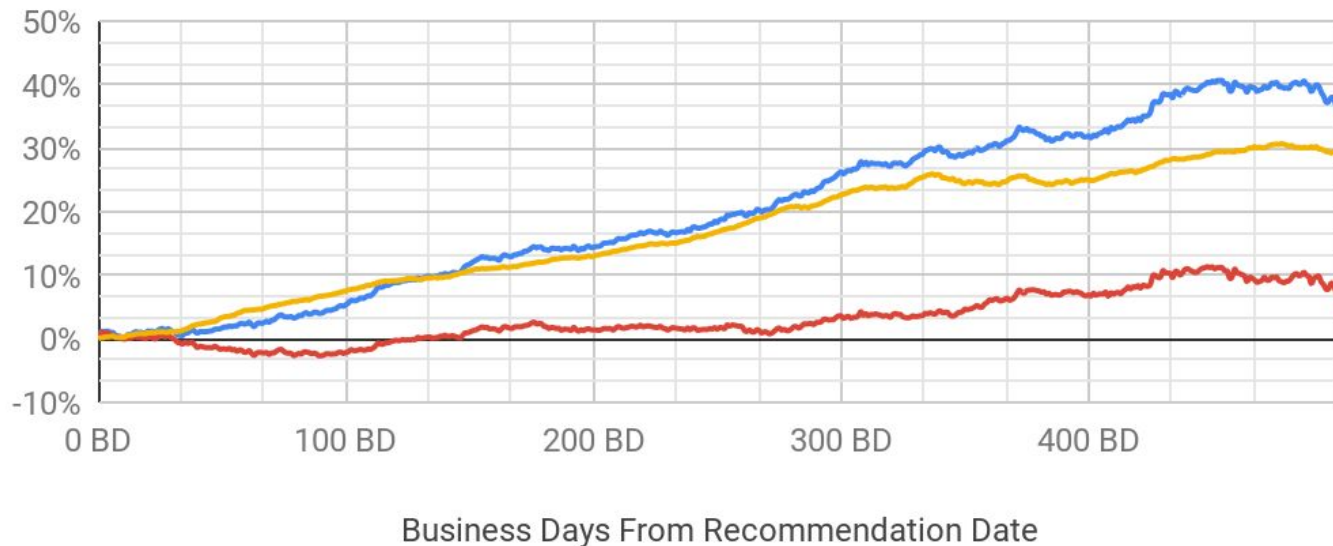
Population Information

Sector	% of Total	Market Capitalization	% of Total
Technology	27.27%	Micro Cap	0.00%
Materials	3.41%	Small Cap	10.23%
Consumer Defensive	11.36%	Mid Cap	7.95%
Consumer Cyclical	21.59%	Large Cap	60.23%
Communication Services	2.27%	Mega Cap	20.45%
Industrials	10.23%		
Healthcare	6.82%		
Energy	10.23%		
Utilities	0.00%		
Real Estate	0.00%		
Financial Services	6.82%		

Results - Compared with Index

Stock, Stock w/Index, Index

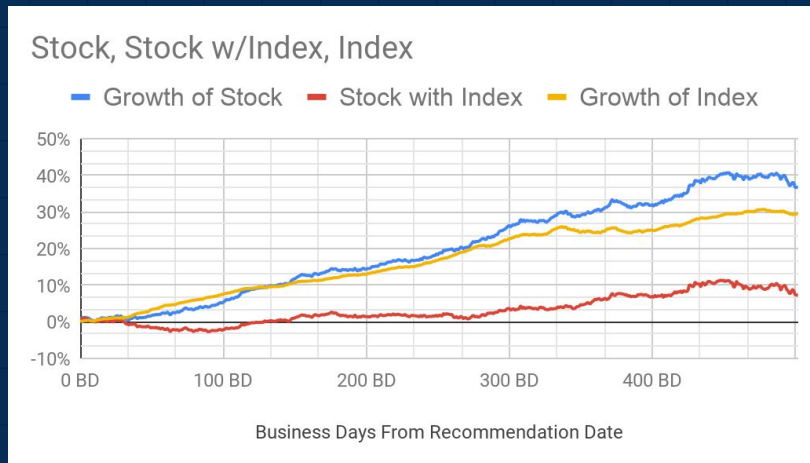
— Growth of Stock — Stock with Index — Growth of Index



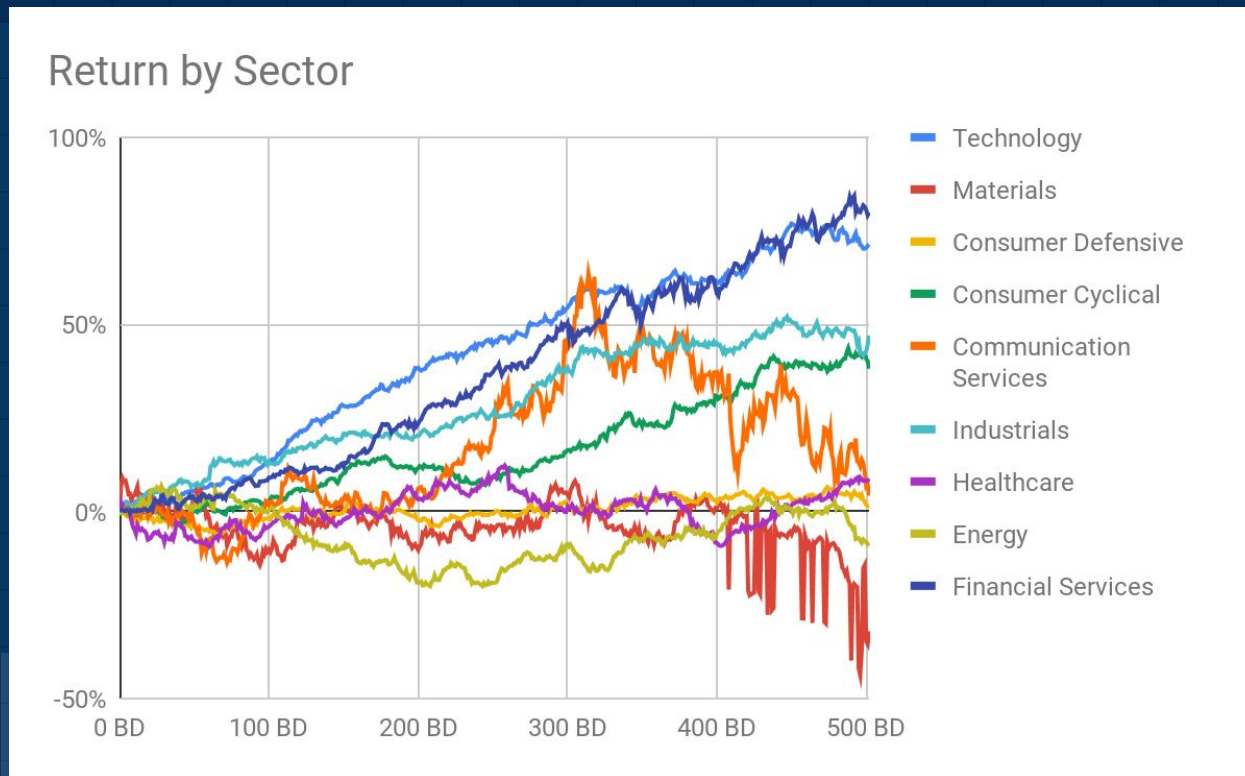
Synopsis

- **Worse than market for firsts 100 BD**
- ***Mad Money* portfolio marginally better than market**
- **Large portfolio that can represent market**

Graph



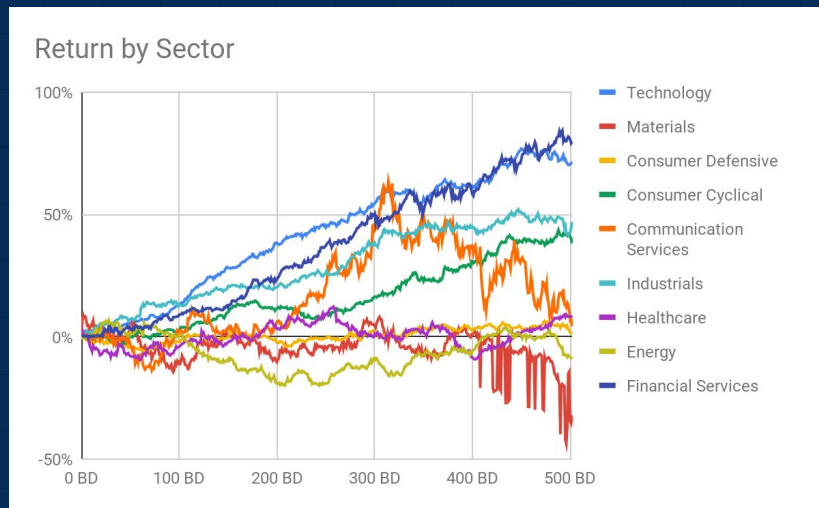
Results - Cross-Sector analysis



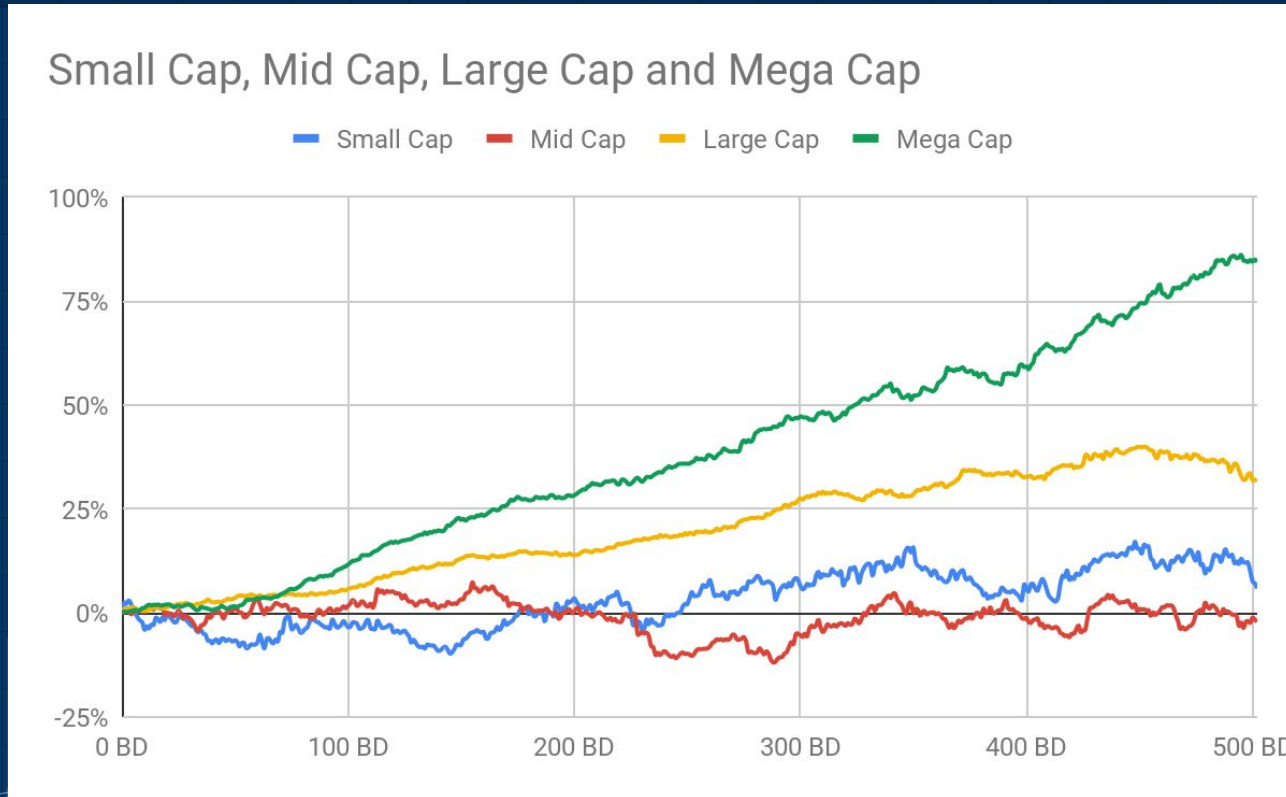
Synopsis

- **Large Variance**
- **Technology and Consumer Cyclical combine to make up 75.05% of returns**
 - **50% of portfolio**

Graph



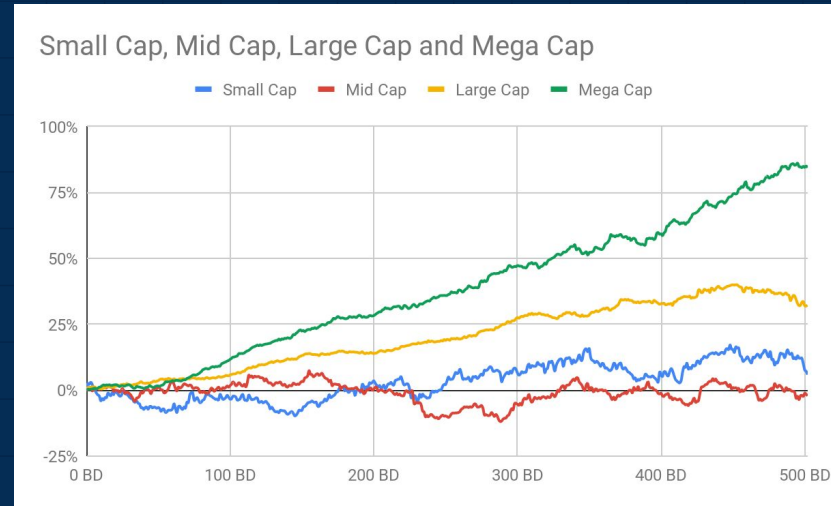
Results - Return by Market Capitalization



Synopsis

- **Mega Cap and Large Cap stocks responsible for more than 98% of positive returns**
 - **Only 80% of stocks recommended**

Graph



Statistics

- $\beta = 0.84$
- P-Value = 0.14
 - Accept H_a
- Variance for Index ($\sigma^2 = 0.016$)
- Variance for stocks ($\sigma^2 = 0.107$)
- Range after 502 BD (-83.3% to +146.2%)

Conclusion

- **Portfolio is representative sample of market**
- **Growth is not evenly distributed**
- **Portfolio is riskier than index and has similar returns**



References

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2. Damodaran, A. (2011). *The little book of valuation: How to value a company, pick a stock, and profit*. Hoboken (NJ): J. Wiley & Sons.
3. Dori-Hacohen, G., & White, T. T. (2013). "Booyah Jim": The construction of hegemonic masculinity in CNBC 'Mad Money' phone-in interactions. *Discourse, Context & Media*, 2(4), 175-183. doi:10.1016/j.dcm.2013.10.001
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