When the Dow Closed at 27691.4854488934—Just Like the Day Before

The DJIA went unchanged Tuesday, a mystery that finance geeks have spent the ensuing time trying to unravel—or not; ‘the equivalent of watching paint dry’

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Stocks go up. Stocks go down. On Tuesday, the Dow Jones Industrial Average went absolutely nowhere—a mystery that finance geeks, journalists and analysts have spent the ensuing time trying to unravel.

The indicator ended the session at 27691.4854488934, exactly where it finished Monday.

The sun still set, the tide ebbed and flowed. But numbers aficionados delighted in the 0.00% change.

Over the past 123 years and more than 33,000 trading days, the indicator has ended unchanged, “unch” in Wall Street parlance, 167 times.

The Dow is an index of 30 blue-chip stocks. It is computed by adding up their prices and dividing by a factor, the “Dow divisor,” meant to account for infrequent changes like stock splits and new index entrants. On Monday and Tuesday, the sum of the 30 prices was exactly 4082.99; the divisor, printed in The Wall Street Journal’s business and finance section, was 0.14744568353097.
Hence, of course, the result was 27691.4854488934.

The bulk of the Dow’s priorunch days occurred before the turn of the century, when the average was smaller and based off stocks whose prices were expressed in eighths and, later, 16ths of a dollar. Those larger increments made unchanged days more likely.

Tuesday marks the third unchanged day since 2000. “The stars aligned,” said Howard Silverblatt, senior index analyst at S&P Dow Jones Indices, which manages the Dow.

There’s no one way to calculate the odds of anunch Dow, but the Journal asked statistics experts to give it their best shot.

Salil Mehta, an independent statistical and risk consultant, analyzed each Dow component’s daily volatility as of late to evaluate the odds of an unchanged day. Using that method, he estimates the odds of such an event at less than 1 in 2,000 any given day, though he cautioned that arriving at the true probability is more complicated.

Unch days are bound to become rarer as the Dow’s value climbs, said Duke University finance professor Campbell Harvey. “The higher the average,” he said, “the ever-shrinking chance of yet another unchanged closing.”
Although the index appeared to have gone nowhere on traders’ Bloomberg terminals and FactSet screens, there was action under the surface. Of the Dow’s stocks, 16 rose and 14 fell. The index swung about 136 points from its high to its low during the session.

That the sum amounted to nothing was hard to fathom for investors and analysts who struggle to make sense each day of the thousands of “buy” and “sell” orders entered from coast to coast and around the globe.

“It’s kind of like saying ‘great, the hockey game was a zero-zero tie,’” said Mike Bailey, director of research at FBB Capital Partners, a wealth-management firm. “It’s just not that exciting.”

Pundits were quick to weigh in on Twitter, the digital equivalent of a water cooler for the investment universe. One questioned whether Tuesday’s burst of frigid weather rendered it too cold for the market to move. CNBC anchor Bill Griffeth tweeted: “The Dow finishes sharply unchanged today.”

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The Dow came close to another unch on Wednesday, Nov. 6, falling 0.07 point—0.0003%—from the previous session. That’s the smallest possible Dow move, which is, a little more precisely, 0.06782158528. That’s a one-penny change in the sum of the 30 stock prices, divided by the divisor. (S&P Dow Jones Indices uses stock prices to the penny when computing the index.)

The reason the Dow even goes out 10 decimal places has less to do with the Dow and more to do with trying to account for more-complex indexes like the S&P 500, Mr. Silverblatt said. S&P Dow Jones Indices decided to draw out the calculations to 10 decimal points, like the S&P 500, to retain consistency across different indexes.

“In an index that has shares and float, the decimals make a difference,” he said. “But on the Dow, which you can explain in one sentence—add and divide—the need for additional decimals is more academic.”

Reaction from those at investment banks and brokerages, who are burdened with interpreting markets’ daily ebbs and flows, was more muted. Tuesday was a “low vol” day, low both in volatility and in volume of shares traded.
“These low vol, low volume days are the equivalent of watching paint dry or grass grow,” said Kevin Giddis, chief fixed-income strategist at investment bank Raymond James, who said he scheduled more meetings than he would have on a normal trading day so he wouldn’t fall asleep.

The analyst started the day expecting the market to swing when President Trump delivered a speech at the Economic Club of New York. Mr. Trump’s remarks have often sparked sudden moves across stocks, bonds and currency markets.

Not on Tuesday.

At least some of the indifference appeared to reflect the broader shift in the structure of publicly traded markets over the decades.

When the Dow was flat in the 1990s—back when thousands of traders crammed the New York Stock Exchange floor—such events drew more attention, a veteran NYSE floor trader said. Nowadays, few traders on the floor watch the Dow, aside from some who go on television to comment on market moves, the trader said.

Still, “when the market doesn’t go up, it doesn’t go down either,” said J.C. Parets, founder of market-research firm All Star Charts. “All joking aside, it’s a good thing. There’s no selling pressure.”

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