

# The Danceability Index

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## The Hemline Index

Wikipedia: *“The theory suggests that hemlines on women's dresses rise along with stock prices. In good economies, we get such results as miniskirts (as seen in the 1960s), or in poor economic times, as shown by the 1929 Wall Street Crash, hems can drop almost overnight.”*

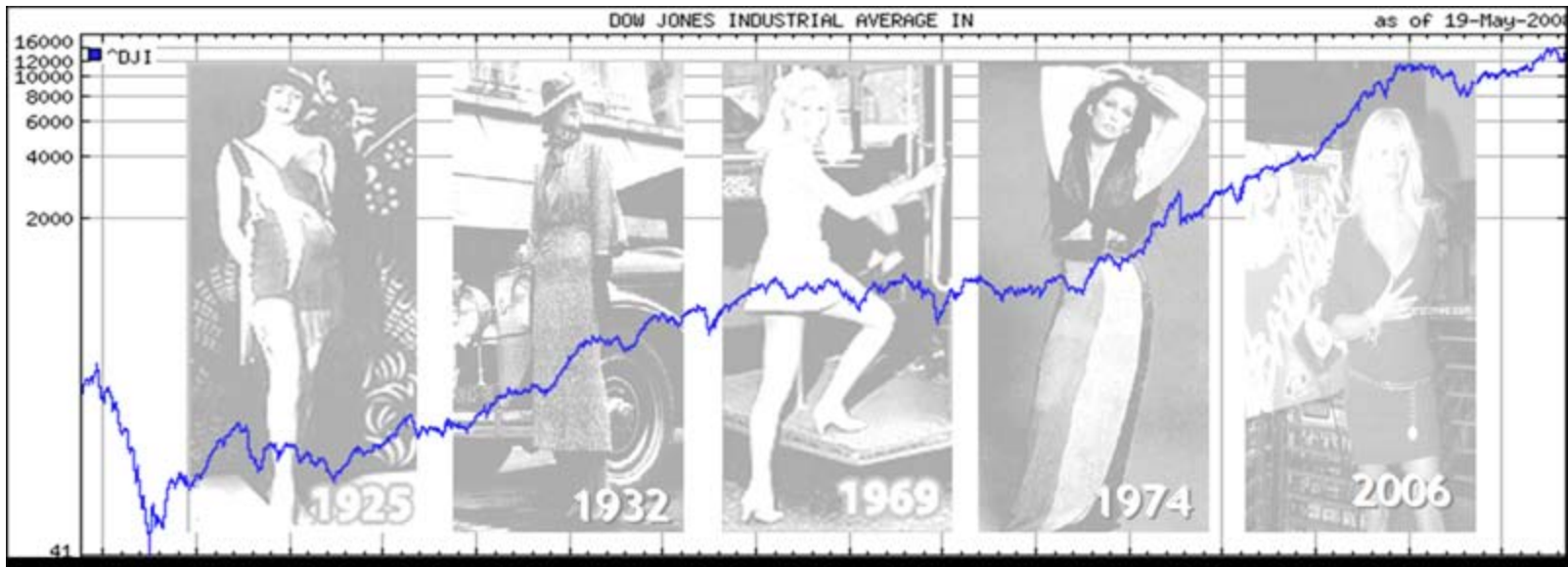


Image Source: <http://www.ritholtz.com/blog/wp-content/uploads/2010/09/Hemline-1-.jpg>

## The Danceability Index

Theory: Dancing without moderation suggests a peak of irrational exuberance. When dancing reaches a maximal level, the market may be overvalued.



Image source: <http://alliedow.wordpress.com/2009/11/17/dancing-in-your-nuddy-pants/>

## Data Sources

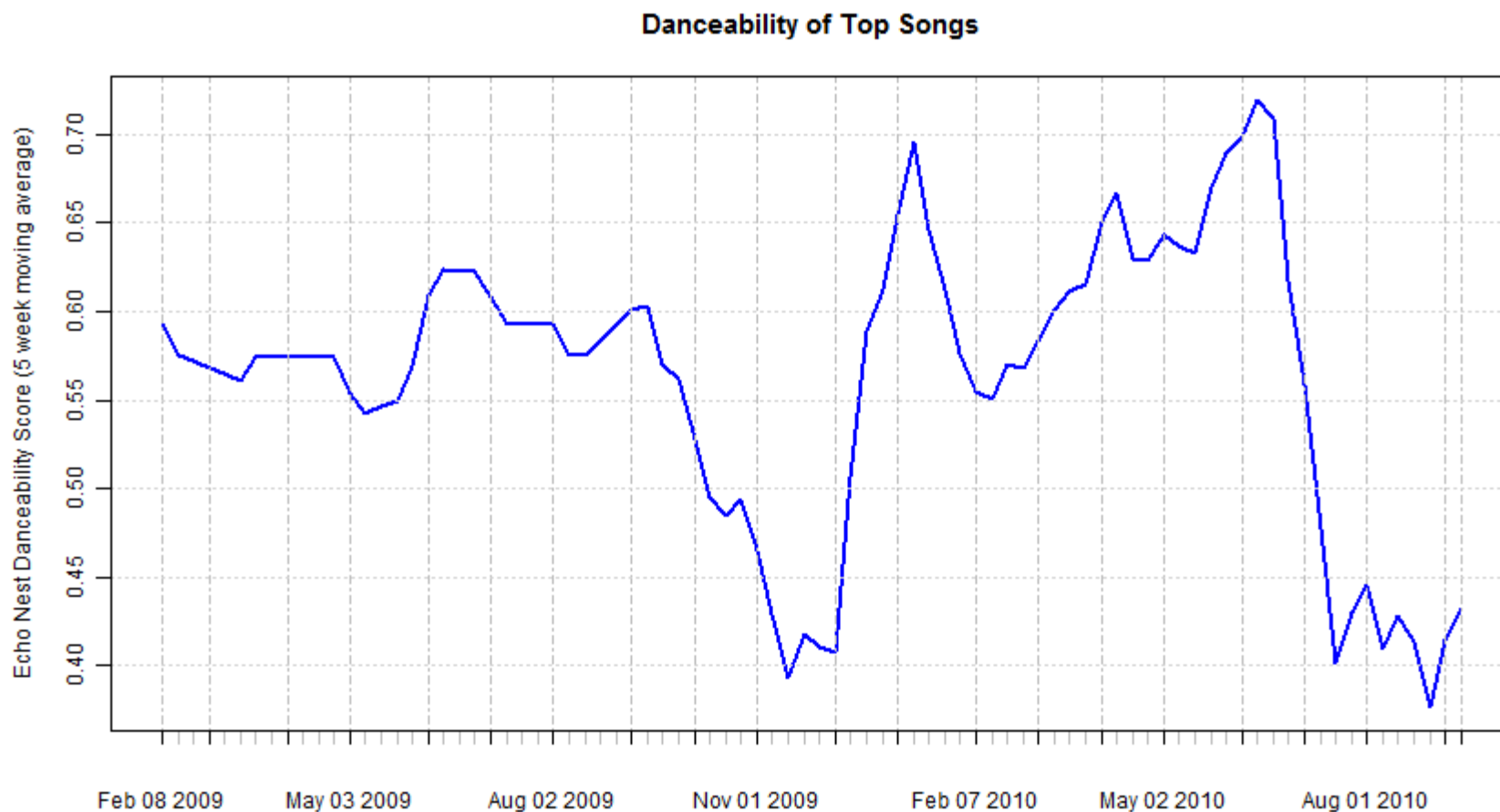


Weekly Historical Top 5 songs  
in New York City

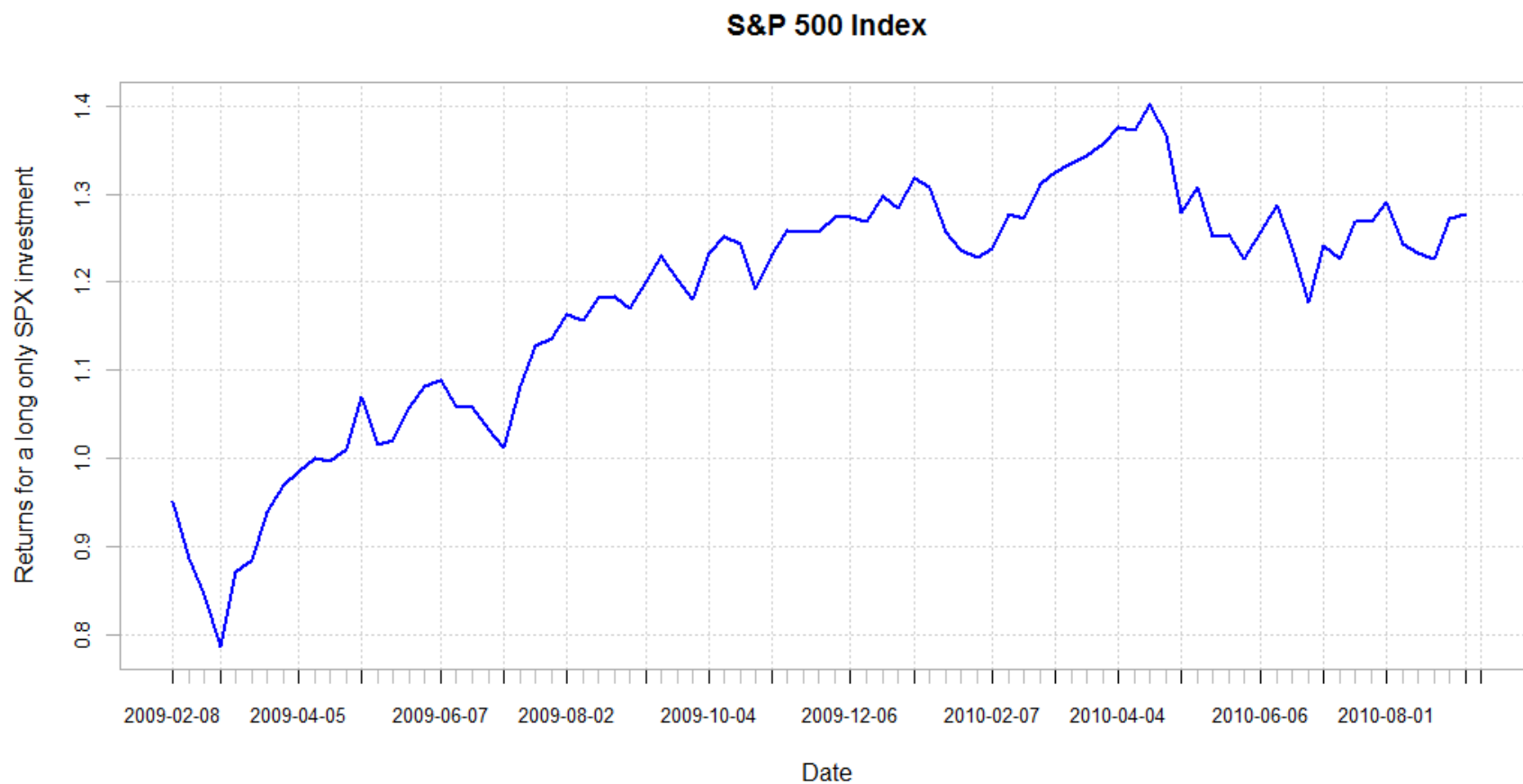


Danceability Score of Top Songs

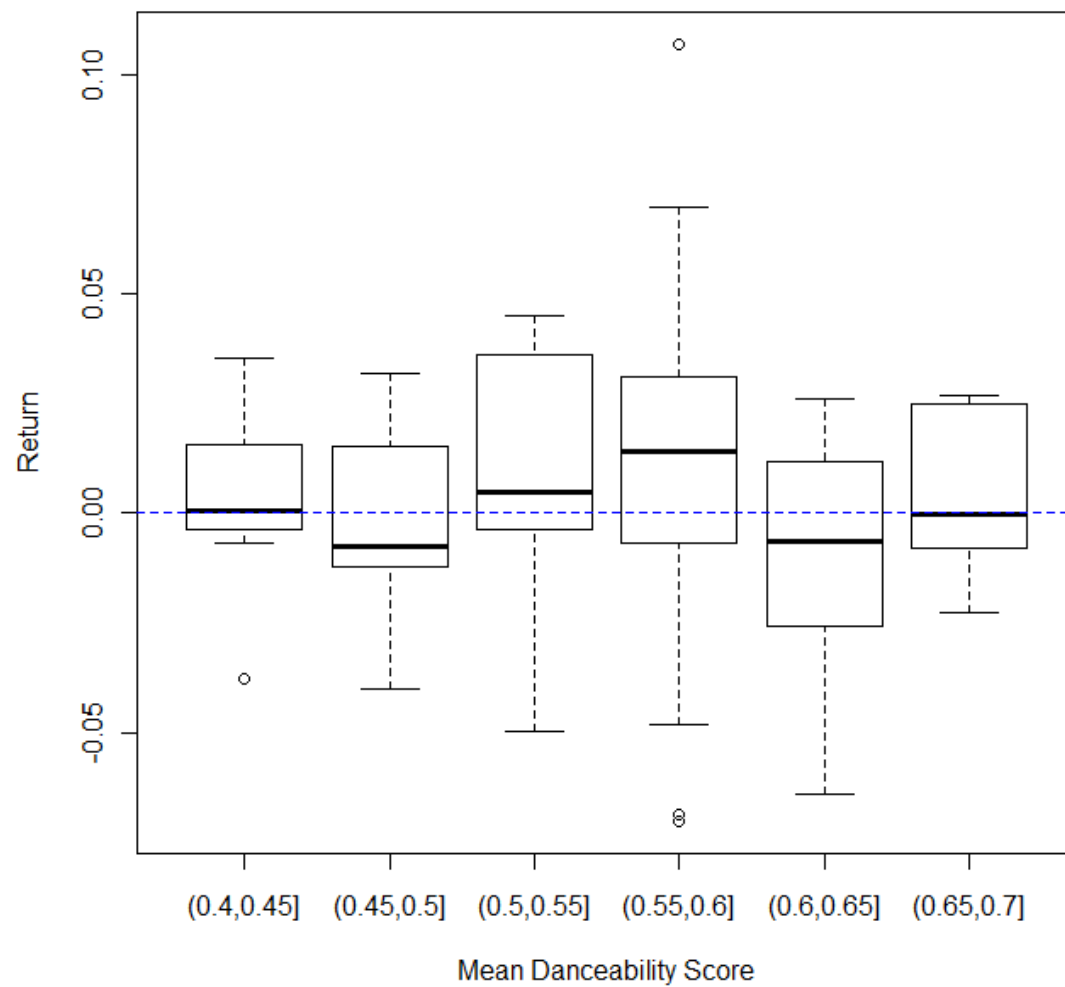
## Analysis - Danceability



# Analysis – S&P Returns



**Returns by Danceability Intervals**



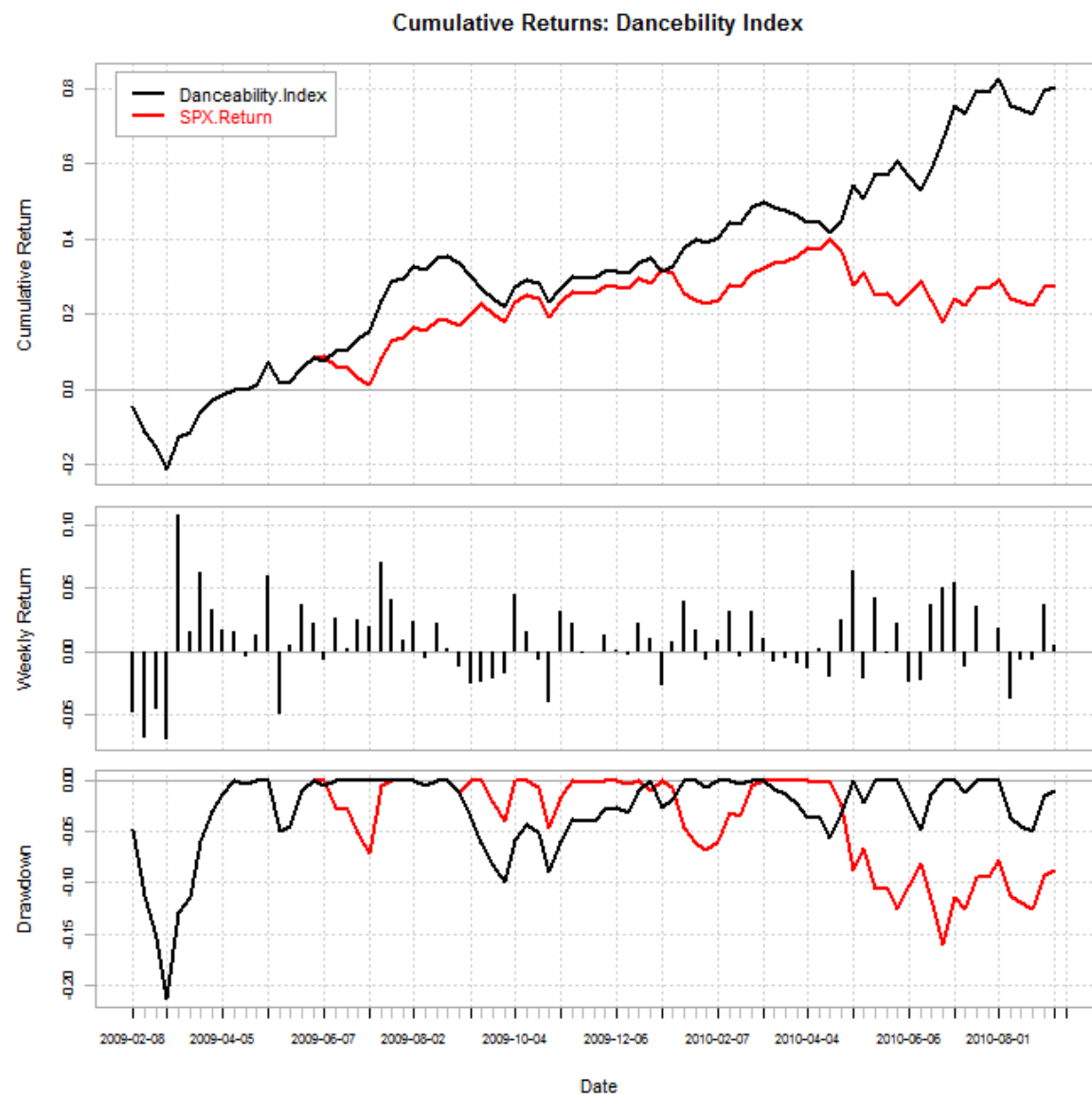


## Rule:

Go long in the S&P 500

Sell short if **danceability index**  $> 0.6$

## Results



# Results – Performance Statistics

## DanceStrategy Historical Performance by Month Gross of Fees

Dance Strategy	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	2.83%	6.80%	-1.44%	-0.85%	10.67%	3.61%	7.73%	0.26%	2.83%				35.2%
2009		-15.37%	14.61%	4.16%	7.13%	4.73%	14.49%	2.93%	-8.81%	1.07%	6.74%	2.88%	32.9%

## Risk/Return Statistics based on Dance Strategy Historical Performance (Feb 09 – Oct 10)

Net Cumulative Return	Net Annualized Return	Net Annualized Volatility	Net Annualized Sharpe Ratio (rf=0)	Maximum Drawdown	Correlation with S&P 500
79.7%	44.79%	24.74%	1.8	-21.3%	0.53

## Global Marketing & Investor Relations

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