Chart of the Month

September 2013

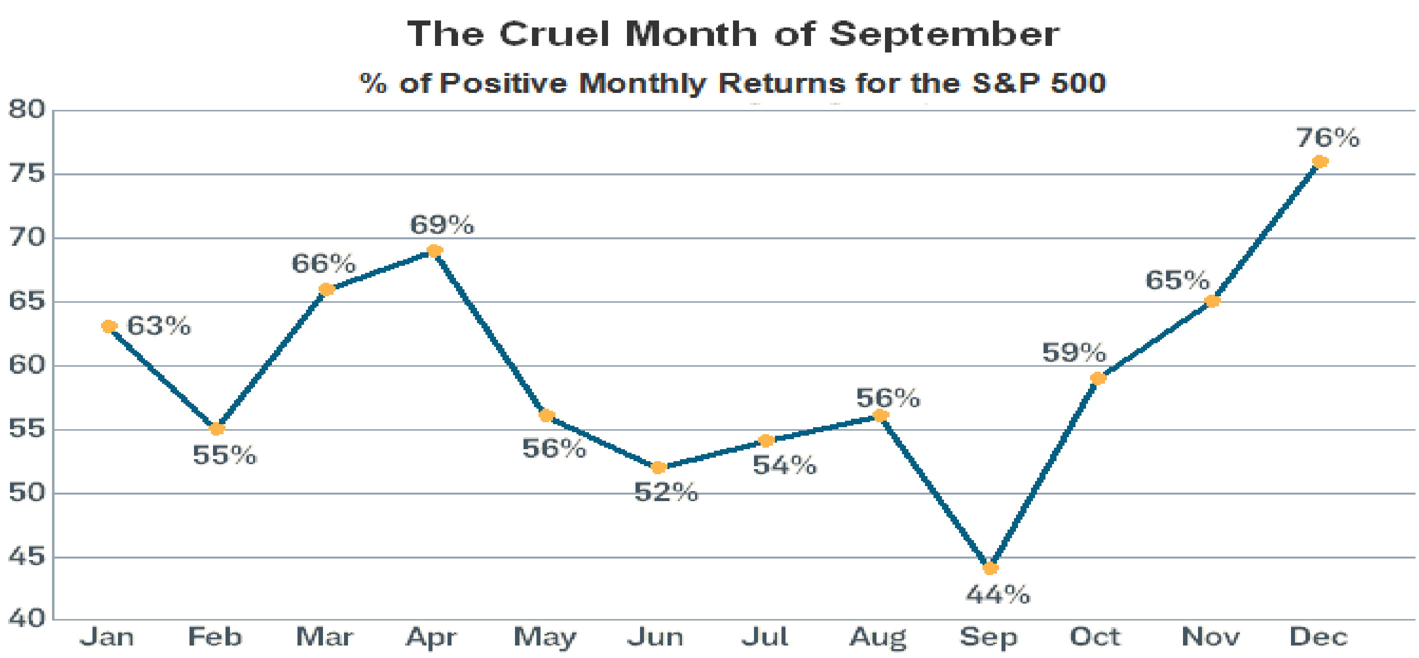
Stock prices advanced modestly on Thursday, extending a three-day rally in which the S&P 500 has gained 1.35% since Labor Day. This achievement has confounded those who follow seasonal patterns as September has historically been the weakest month of the year.

As shown in the chart below, September has generated positive results only 44% of the time since 1950, the lowest reading of any month. The average return for this period has been -0.69% during the past 63 years, nearly one-half of one percentage point worse than the second-most difficult month (February).

Nevertheless, according to Liz Ann Sonders, the Chief Investment Strategist at Charles Schwab, "the good news, at least historically, is that in years when the market was very strong leading into September (as was the case this year), September's performance – as well as the remainder of the year – was historically better than average."

Although many investors view October as the scariest month due to the market crashes in 1929 and 1987, as well as the 16.79% decline in 2008, October has actually experienced positive results 59% of the time with an average return of 0.60% since 1950. Furthermore, November through January has typically generated outsized returns with a pause in February and continued strong gains in March and April.

The most important trend of all, of course, is that the market goes up over time. As a result, buying stocks of good companies when the prices are attractive and selling them when they become unattractive is a much better strategy than trying to time the ups and downs of the overall market.



Source: FactSet, Strategas Research Partners, LLC. 1950-August 30, 2013.

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