

# CHART OF THE MONTH

JULY 2015

While the Standard & Poor's 500 increased or decreased more than 1% three times in the first two weeks of July, the index has actually traded in its narrowest range year-to-date ever. That's right, despite the recent volatility owing primarily to the news flow out of China and Greece, the market has pretty much flatlined it thus far this year.

As shown in the table below, the S&P 500 has been constrained on the upside and downside with the maximum gain and loss of +3.5% and -3.2%. Prior to 2015, the S&P 500 had never traded within a +/- range of less than 4.0% this late into the calendar — and only five years where the index had not moved up or down more than 6.0%.

Does the tight trading range suggest better or worse days ahead for the market? Based on history, the outlook for the remainder of the year looks promising. In the previous ten periods in which the S&P traded closest to unchanged through June 30, the index finished the year in positive territory 100% of the time. The gains varied from a low of 2.4% to a high of 11.7% with a mean of 6.0%.

The market, of course, is dynamic and can veer from its precedents. Nonetheless, we believe the fundamentals suggest a modest advance in stock prices over the second half. The economy is likely to grow 2.5% to 3.0% on an annualized basis in the third and fourth quarters (roughly in-line with the average GDP growth in those periods since the end of the last recession) and valuations are only slightly above historical norms in absolute terms but attractive when compared to bond yields.

As discussed in our Chart of the Month for [February](#) and [June](#), the longer-term outlook remains favorable as well. Absent a recession or extreme valuation, we believe the market should continue to work its way higher over time, albeit at a more moderate rate than the past six years.

## Narrowest Range Through Mid-Year in History of S&P 500

S&P 500 years closest to unchanged through June 30				
	S&P 500 price performance			
Year	YTD change	Max gain	Max loss	Rest of year
2015	0.1%	3.5%	-3.2%	?
2004	2.6%	4.1%	-2.5%	6.2%
1993	3.4%	4.7%	-1.5%	3.5%
1952	5.0%	5.0%	-2.9%	6.5%
1992	-2.1%	0.9%	-5.4%	6.8%
1994	-4.8%	3.3%	-5.9%	3.4%
2005	-1.7%	1.1%	-6.1%	4.8%
2014	6.1%	6.2%	-5.8%	5.0%
2006	1.8%	6.2%	-2.0%	11.7%
1959	5.9%	6.3%	-3.0%	2.4%
1965	-0.7%	6.5%	-3.7%	9.9%

Source: Bespoke Investment Group and Charles Schwab & Co.

