

CHART OF THE MONTH

OCTOBER 2011

S&P 500 Best Months Ever

	S&P 500 Percent Change	
Month	Month	Next Month
Aug 1932	39.14	-3.69
Jul 1932	36.12	39.14
Apr 1933	33.85	23.12
Jun 1938	24.70	6.66
May 1933	23.12	13.17
Oct 1974	16.30	-5.32
Apr 1938	15.06	-5.21
Sep 1939	14.40	0.31
Oct 2011	14.12	
Jun 1931	13.90	-7.42
Jan 1987	13.18	3.69
Jun 1933	13.17	-8.80
Jan 1975	12.28	5.99
Jan 1934	12.04	-3.67
Nov 1928	11.99	0.29
Jan 1976	11.83	-1.14
Mar 1928	11.70	2.44
Aug 1982	11.60	0.76
Aug 1933	11.46	-12.35
Feb 1931	11.37	-7.43
Dec 1991	11.16	-1.99
Oct 1982	11.04	3.61
Jul 1939	10.87	-7.14
Aug 1984	10.63	-0.35
Jun 1929	10.39	5.36
Nov 1933	10.27	0.91
Nov 1980	10.24	-3.39
Nov 1962	10.16	1.35

The Standard & Poor's 500 jumped 3.4% on Thursday, climbing to its highest level since August 1. Stock prices were bolstered by news from the European Union and a report that the U.S. economy grew 2.5% during the third quarter. Impressively, the S&P 500 held onto its gains on Friday, producing its fourth straight weekly advance. Of note, the index is on pace for its best monthly percentage increase since October 1974 and its ninth best ever.

As shown in the accompanying table, the S&P 500 is up 14.12% for October. This monthly return has been exceeded just eight times, seven of which occurred during the 1930s. In the 27 prior instances when the index rose at least 10%, stock prices increased more than half the time in the following month with an average return of 1.44%, fueled by the outsized gains in July 1932 and April 1933. History would suggest that there is little chance that the market will give up all of its profits in November as there has been only one month when the index followed a double-digit gain with a double-digit loss.

Since the market bottomed on October 3, the strongest performing sectors have been financials, energy, and materials, while the weakest performing sectors have been utilities, health care, and consumer staples. Interestingly, the former sectors were the worst performers and the latter sectors the best performers during the downturn. In fact, the 50 stocks that were down the most from July 7 through October 3 are up an average of 35.3% since then and the 50 stocks that held up the best during the summer correction are up an average of 6.9% during the recent rally.

What's next? While we don't place too much emphasis on seasonal patterns, the market is about to enter the November to April period, or what has been the most favorable six months for stocks, with both price and earnings momentum.

