Chart of the Month

July 2021

First Six Months Indicator

S&P 500 Up > 12.5% After Six Months

	S&P 500 Index Returns	
Year	**YTD Return At End Of June**	**Return Rest of Year**
1954	17.7%	23.2%
1955	14.0%	10.8%
1958	13.1%	22.0%
1967	12.8%	6.4%
1975	38.8%	-5.3%
1976	15.6%	3.0%
1983	19.5%	-1.9%
1985	14.7%	10.1%
1986	18.7%	-3.5%
1987	25.5%	-18.7%
1989	14.5%	11.1%
1995	18.6%	13.1%
1997	19.5%	9.6%
1998	16.8%	8.4%
2013	12.6%	15.1%
2019	17.3%	9.8%
2021	14.4%	?
	Average	7.1%
	Median	9.7%
	% Positive	75.0%

Source: LPL Research, FactSet 06/29/2021 (1950 - Current)

The S&P 500 increased 14.4% through June 30, the second-best first-half performance since 1998. Only 2019 achieved a higher return (17.3%) since the dotcom bubble.

As shown in the table above, since 1950, the S&P has gained 12.5% or more 17 times during the first half of the year, and the index has generated average and median returns of 7.1% and 9.7%, respectively, over the second half. Of note, the S&P finished the back half of the year higher in 12 of the previous instances, or 75% of the time.

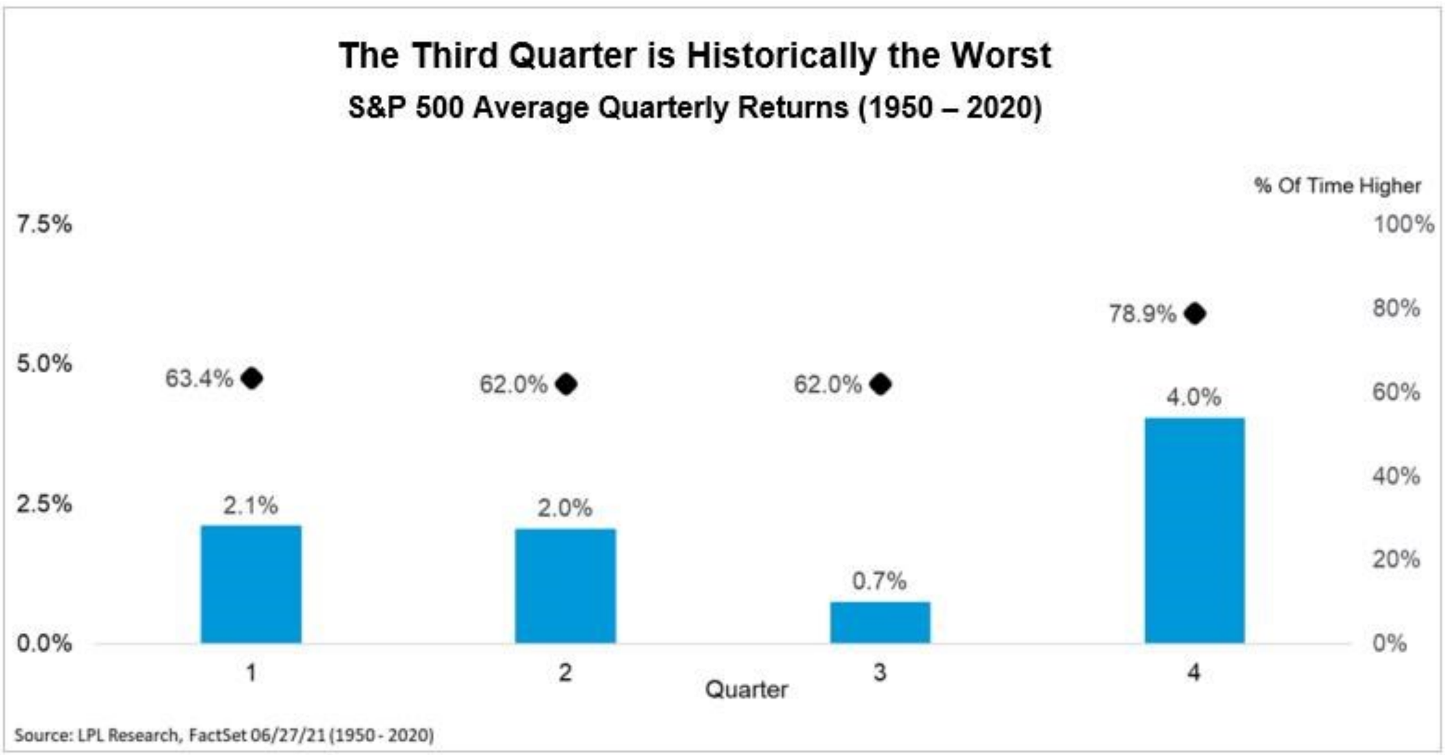
Three of the four losses were tolerable with the market dropping 5.3% in the second half of 1975, 1.9% in the last six months of 1983, and 3.5% in 1986. The one exception was 1987 when the index fell 18.7% from July through December. The latter included Black Monday when the S&P fell a record 20.4% in one day.

All of the losses occurred in four-of-the-five best first halves, suggesting that the market may have gotten ahead of itself and was more vulnerable to a correction. The sweet spot appears to be in the low- to mid- double-digit first-half returns, a la 2021.

In yet another bullish sign, during the first half of 2021, the largest drawdown in the S&P was just 4.2% (from February 12-March 4), the ninth-smallest pullback since 1950. When the maximum retreat was less than 5% in the first half of the year, the index yielded an average return of 8% in the second half with over 80% of the results positive.

Nonetheless, as depicted below, the third quarter has historically been the worst quarter of the year with an average return of only 0.7%. July, however, has traditionally been kind to stocks and, in fact, the best month of all during post-election years, up 2.2% on average since 1950. August and September, on the other hand, have been two of the weakest months, including post-election years.

The good news is that the fourth quarter has manufactured the best quarterly returns with positive results across most time frames, albeit with a few negative surprises in October. While the past is not prologue, we are hopeful that the combination of these trends, strong earnings, and excess liquidity will be the catalysts to lift stock prices even higher in the second half.



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