Chart of the Month

September 2023

S&P 500 Performance
When Down 1% or More in Both August and September

			S&P 500 Index Returns	
Year	August	September	October	Q4
1952	-1.5%	-2.0%	-0.1%	8.3%
1956	-3.8%	-4.5%	0.5%	2.9%
1957	-5.6%	-6.2%	-3.2%	-5.7%
1959	-1.5%	-4.6%	1.1%	5.3%
1974	-9.0%	-11.9%	16.3%	7.9%
1975	-2.1%	-3.5%	6.2%	7.5%
1981	-6.2%	-5.4%	4.9%	5.5%
1985	-1.2%	-3.5%	4.3%	16.0%
1990	-9.4%	-5.1%	-0.7%	7.9%
2001	-6.4%	-8.2%	1.8%	10.3%
2011	-5.7%	-7.2%	10.8%	11.2%
2015	-6.3%	-2.6%	8.3%	6.5%
2022	-4.2%	-9.3%	8.0%	7.1%
2023	-1.8%	-4.2%	?	?
	Average		4.5%	7.0%
	Median		4.3%	7.5%
	% Higher		76.9%	92.3%

Source: Carson Investment Research, FactSet

The S&P 500 advanced 20.6% through July, then pulled back 1.6% in August and is down 4.1% in September for a year-to-date gain of 13.9% (all returns inclusive of dividends).

We are not surprised by the recent softness as forewarned in our August Chart of the Month. While the S&P is in the middle of its worse 10-day period of the year as measured by the historical performance of the index since 1950, all is not lost as the market has rebounded in October 10 of the previous 13 times when it was off 1% or more in both August and September with an average increase of 4.5%. Furthermore, the market has bounced back 92% of the time in the fourth quarter with an average gain of 7.0% under these same circumstances (as shown in the table above).

In addition, when the S&P was up between 10-20% at the end of September, it climbed an average of 1.1% in October and 5.1% in Q4 (see table below).

We recognize that there are several headwinds facing the U.S. economy and stock market, including a global slowdown (most notably in China), rising oil prices and interest rates, falling excess savings, the resumption of student loan repayments, and the UAW strike and the potential for a government shutdown at the end of this month (both of which could be resolved in the weeks ahead).

Oil prices have spiked 35% from their low in March and the national average for a gallon of gasoline has increased 13% since June, potentially crimping consumer spending.

At the most recent Federal Open Market Committee (FOMC) meeting, the central bank forecasted a higher-for-longer outlook for the federal funds rate, which currently sits at 5.25-5.50%. Bond yields are also likely to remain high, in part due to the $33 trillion in federal debt and the need to finance the ongoing deficits.

The excess household savings from the government stimulus in 2020 and 2021 has been depleting since 2022 and turned negative for the bottom 80% in 2023. Nevertheless, the net worth of households rose to a record $154 trillion this summer, up more than $37 trillion or 32% since the end of 2019, just prior to the pandemic/lockdown.

We are neither overly bullish nor bearish at this point but mindful that markets are known to climb the "Wall of Worry," muddling through and looking beyond the near-term challenges.

S&P 500 Performance
When Up YTD Between 10-20% at the End of September

		S&P 500 Index Returns	
Year	YTD Return End of September	October	Q4
1950	15.8%	0.4%	5.0%
1951	13.9%	-1.4%	2.2%
1961	14.8%	2.8%	7.2%
1963	13.6%	3.2%	4.6%
1964	12.2%	0.8%	0.7%
1976	16.7%	-2.2%	2.1%
1979	13.7%	-6.9%	-1.3%
1980	16.2%	1.6%	8.2%
1983	18.1%	-1.5%	-0.7%
1988	10.0%	2.6%	2.1%
1991	17.5%	1.2%	7.5%
1996	11.6%	2.6%	7.8%
2003	13.2%	5.5%	11.6%
2009	17.0%	-2.0%	5.5%
2012	14.6%	-2.0%	-1.0%
2013	17.9%	4.5%	9.9%
2017	12.5%	2.2%	6.1%
2019	18.7%	2.0%	8.5%
2021	14.7%	6.9%	10.6%
2023	12.8%	?	?
Average		1.1%	5.1%
Median		1.6%	5.5%
% Higher		68.4%	84.2%

Source: Carson Investment Research, FactSet

Lederer & Associates
Investment Counsel

5305 East 2nd Street, Suite 201, Long Beach, California 90803
Tel: (562) 434-5305 ▲ Fax: (562) 434-5306
www.lederer-associates.com