Volatility in September is Normal

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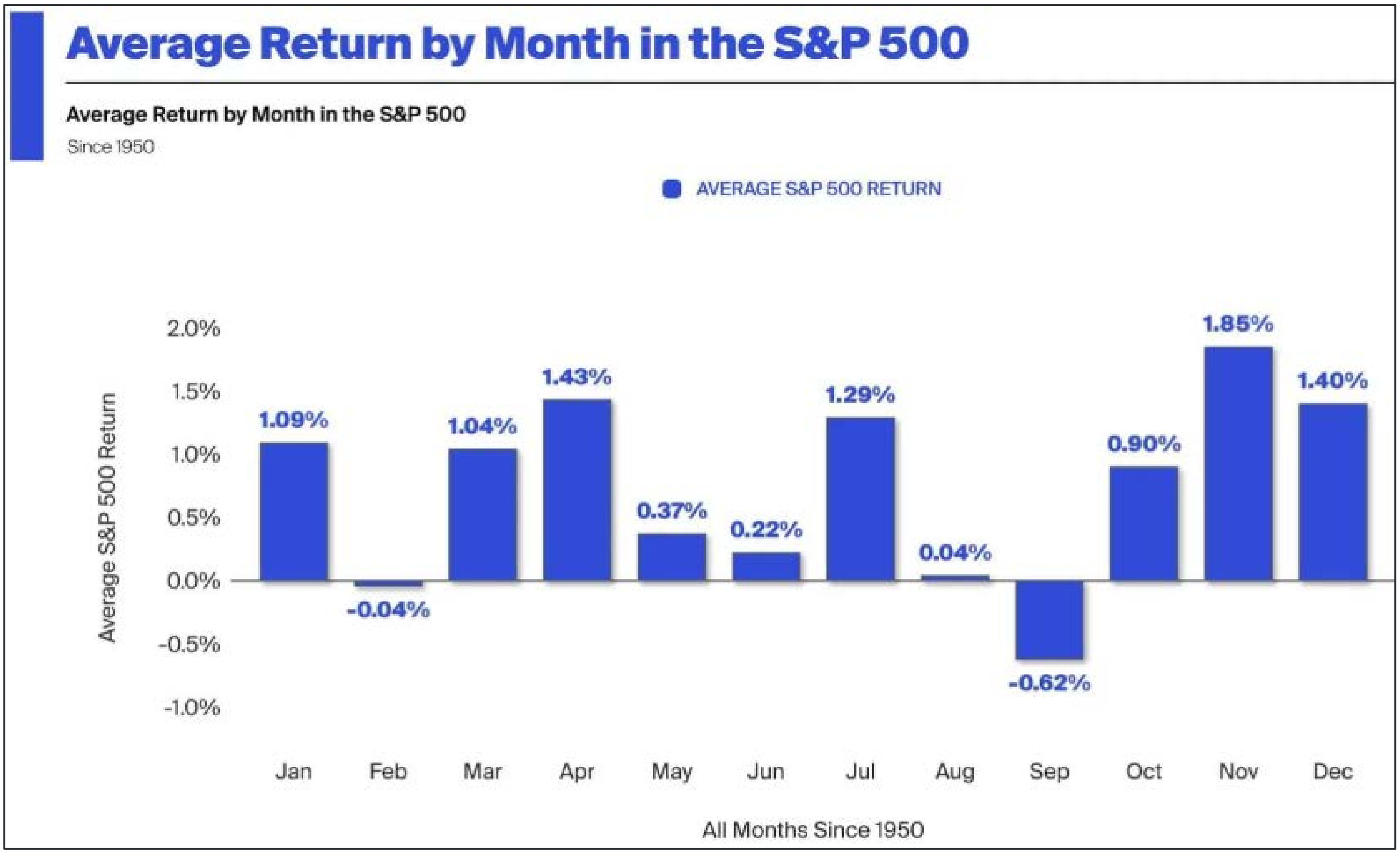

On average, September is the worst month of the year for S&P 500 performance, as the chart above shows.[1] The first month of fall welcomes back many traders from summer break, which, understandably, leads to an increase in trading volume. Additionally, many asset managers begin to harvest losses in September, a process which involves selling portfolio holdings that were down for the year to lower the overall tax bill for a portfolio.

This September may be no different, especially given the list of potential headwinds to equity market performance that currently weighs on the minds of investors, such as ongoing geopolitical strife, higher interest rates, resilient inflation, and the upcoming midterm elections.

The good news for investors is that the fourth quarter tends to be the best quarter for the S&P 500 Index, so volatility in September should serve as a reminder to stay invested and focus on long-term growth, not short-term market movements.[1] And keep in mind that the average return in the year following a midterm election, going back to 1950, is 15.4% – nearly double the average of any other year.[2]

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization

Disclosures

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[1] Average Return by Month in the S&P 500 - Knode Wealth Management
[2] How U.S. midterm elections may affect markets | Capital Group