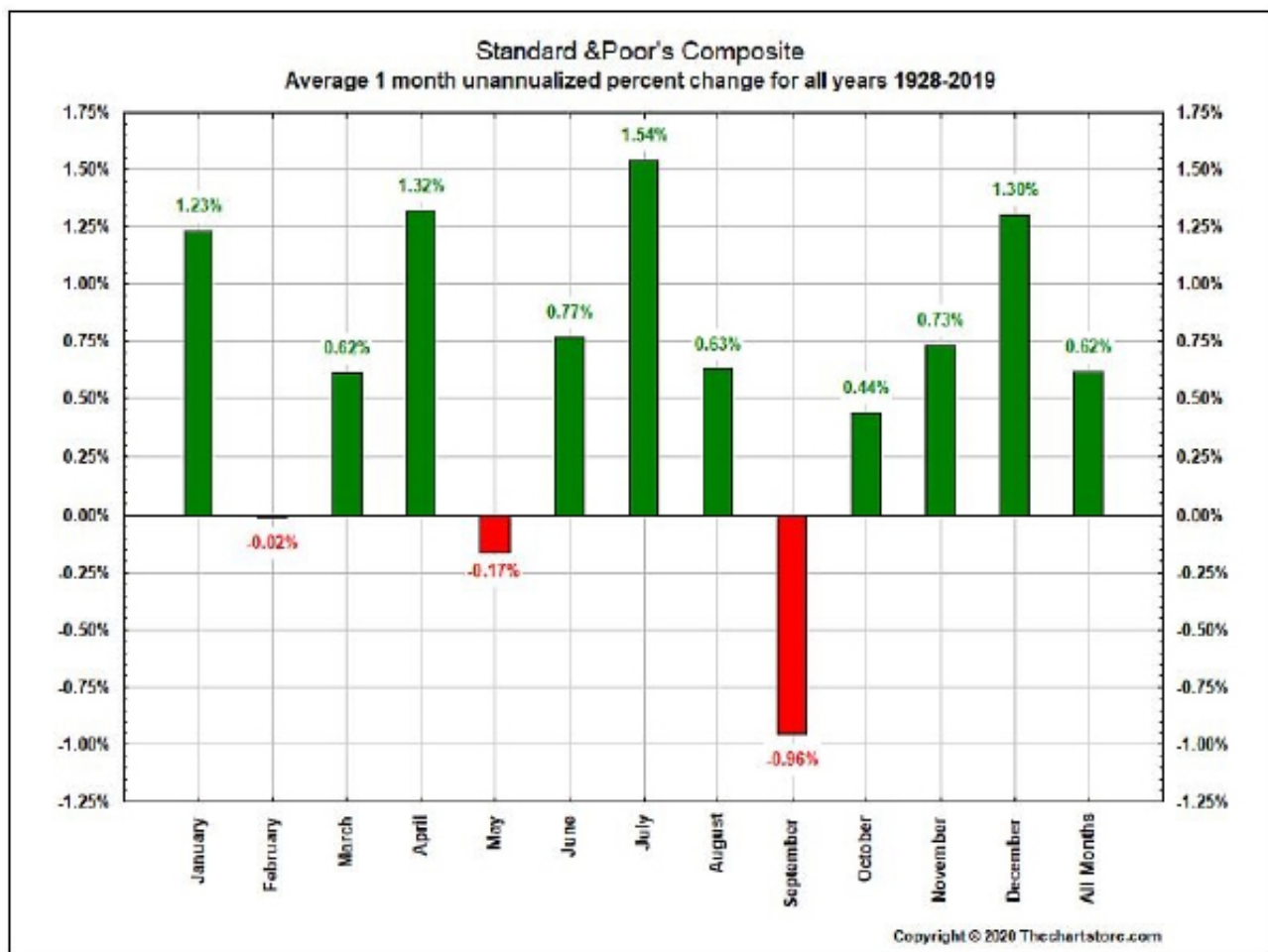


Debunking Some Bunk...Is September Really That Bad a Month?

By: Dave Haviland, Lead Portfolio Manager and Managing Partner

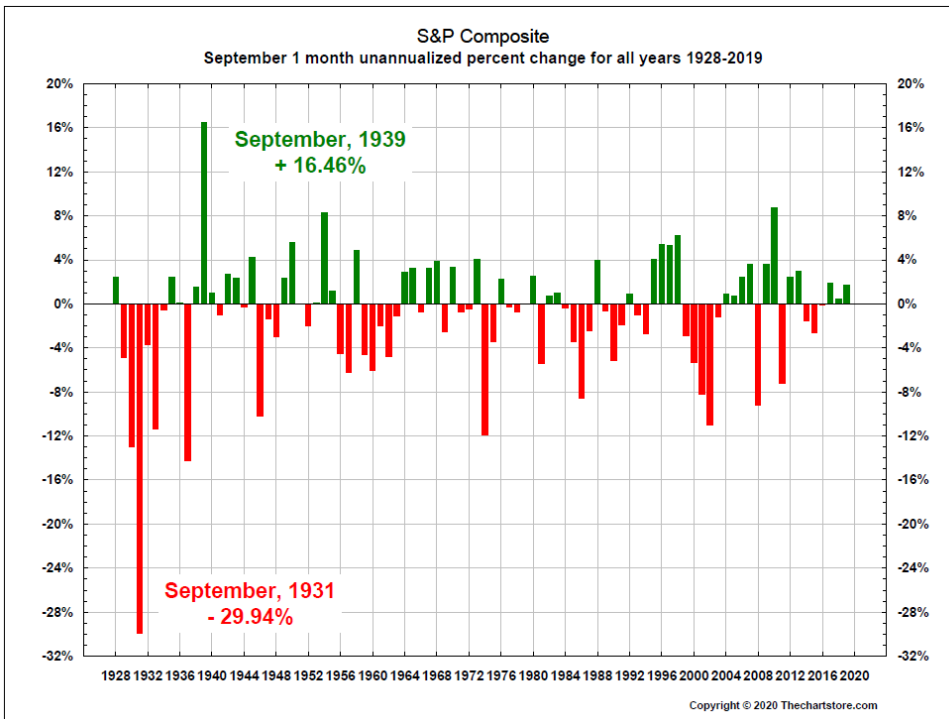
Sometimes our industry grabs on to a concept and cannot let it go. Is September the worst month from a performance standpoint? Does it almost always go down? Should one avoid the markets in September? Let's take a quick look.

Yes, September has been the worst month **on average**:



Source: The Chart Store, as of 12/31/19

Note the average loss over 90 years was ~1%, and this appears, according to how it is presented, as the worst month by far. **But this average is massively skewed by the large loss sustained in 1931 and the five years around it:**

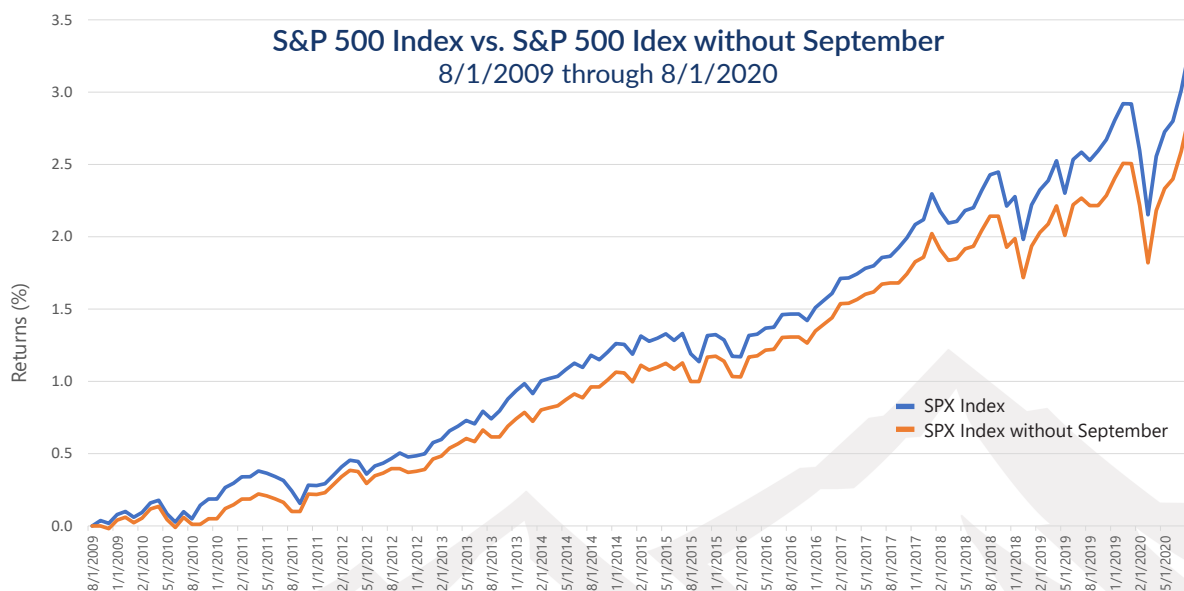


Source: The Chart Store, as of 12/31/19

In 1931 the S&P 500 did not even exist! The index was introduced in 1957; before this it was a 90-stock index back to 1926. Entire sectors, including the largest today, Technology, did not exist. If less than 80% of today's S&P 500 constituents were in the index in 1931, is this information still relevant? Furthermore, in the past New Yorkers would flee the city for summer vacations and thus "sell in May and go away." **Their return to the market in September was then sometimes less than "cordial," given the soured sentiment that**

often accompanies the end of an extended vacation. Today, with the proliferation of technology and vacations spread throughout the year—not to mention the surge in working from home—this phenomenon is just another thing of the past... just like trading in 1/8ths!

To answer the third question, should one avoid stocks in late August to avoid "September losses"? Well, as the chart below illustrates, if you did this during the last 10 years, your performance would have suffered.



Source: Bloomberg & Beaumont Capital Management (BCM), as of 8/1/20

So, what can we learn? Averages and generalizations can be quite deceiving. Be mindful of the dataset that causes figures to distort. It reminds me of the saying “Liars figure and figures lie.” We just thought a little light on the subject might be helpful.

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