

## A CALENDAR OF CONCERNS

**Sam Stovall, Chief Equity Strategist September Could Give Investors Cause for Pause**  
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Month to date (MTD) through August 24, the S&P 500 has surprised many by rising 2.3%, just shy of the average 2.7% advance recorded during presidential election years since 1900. Indeed MTD, seven of the 10 sectors in the S&P 500 advanced, led by gains of 3% or more for the Consumer Discretionary, Financials and Information Technology sectors, while the defensive Consumer Staples, Telecom Services and Utilities groups declined from 0.3% to 3.9%. Now, however, investors are faced with a wait-and-worry week that includes tropical storm Isaac, the Republican Convention, and the Jackson Hole symposium, before they can look forward to relaxing during the upcoming Labor Day weekend. Then have to contend with the S&P 500's performance in September, the weakest of all 12 months since 1990, 1970, 1945, 1929 or 1900.

### Upcoming Events

In the week ahead, a period typically marked by office absences and quiet trading, investors will tune into the storm-delayed Republican convention from Tampa, Florida, but probably won't expect to hear much of anything new. Later in the week, investors will be acting like extras in an old E.F. Hutton commercial, straining to hear as much about what was said than not said at the Jackson Hole Federal Reserve Symposium by Fed Chairman Bernanke on Aug 31 and ECB President Mario Draghi on September 1. We think there will be more analytical rhetoric surrounding these opaque statements than gale-force winds swirling around the Gulf of Mexico, as much still needs to be accomplished in September before either central bank president can reveal future plans to stimulate the U.S. economy or continue to protect the euro. Alec Young, S&P's Global Equity Strategist, reminded me of several influential meetings. In particular,

- Sept. 6: German Chancellor Merkel will hold bilateral talks with Spanish Prime Minister Mariano Rajoy, likely discussing Spain's need for additional funds.
- Sept. 12: The Dutch will hold parliamentary elections that could even decide if the Netherlands remains in the eurozone.
- Sept. 12: Germany's Constitutional Court will hand down a ruling on the legality of Europe's European Stability Mechanism (ESM) permanent bailout fund. The ESM is intended to replace the European Financial Stability Facility (EFSF), but is being held up by legal challenges related to the German constitution.
- Sept. 13: The FOMC meets. If there is to be a third round of quantitative easing, we believe it will most likely be announced at the press conference following this meeting.
- Sept. 15: A formal Euro-group meeting on the ESM, bank supervisor, and Greece.

### September Slump Ahead?

The month of September has given investors cause for pause no matter how far you look back, as the S&P 500 posted its worst monthly performance (and batting average, or frequency of price advance). Specifically, the "500" fell an average 0.7% in September since 1900, whereas it rose an average of 0.54% for all years. The S&P 500's highest price gains occurred in 1939, when it jumped 16.5%, and in 2010, when it advanced 8.8%. Its worst decline was 29.9% in 1931, and its deepest post-war slump was 11.9% in 1974. The market rose as many times as it fell since 1900, but gained in price only 43% of the time since 1929.

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## A CALENDAR OF CONCERNS Sam Stovall's Sector Watch Continued

Looking only at election years results has made the market's performance a bit more tolerable, however, as the S&P 500 was essentially flat during the month since 1900, and rose (15 times) nearly as many times as it fell (13). But it was not without examples of extreme volatility, as the "500" gained 5.4% in 1996 and 4.4% in 1904, but fell 9.1% in 2008 and 6.0% in 1960.

### Average Angle of Ascent

Indeed, since 1952, the "500" recorded a median advance of about 2.5% during the first 100 trading days of the year. During the next 55 days, however, it picked up the pace and recorded a median year-to-date climb of 7.5%. The "500" then suffered through a trading slump that lasted until a few weeks ahead the election before recovering sharply and posting its yearly high in the final 50 trading days of the year.

So there you have it. The week before the unofficial end of summer is typically a lazy affair when many wonder why they bothered to come into the office. This year, however, investors' anxiety meter will likely show an elevated reading as they are mindful of a variety of end-of month events here in the States, combined with a September-loaded series of European elections, meetings, and court-rulings that could have fortune-altering consequences.

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