



The Month in Review

August Takeaways

- *Labor Day marks the unofficial end of summer.* As those halcyon days fade into memory, September marks the return of investor's attention to what statistically is the worst-performing month of the year. Published analysis of market performance going back to 1928 suggests the average performance of the S&P 500 in September is -1%. This is not necessarily any great cause for concern, but it is a good idea to be aware of it.
- *Perhaps more interesting is the long-term seasonal sources of strength and weakness.* Historically, stocks have performed better from November to April than from May through October. Looking back from 1928-to-date we see that the returns on stocks over the winter are better than twice the rate of those during the spring and summer months. Just a few interesting tidbits to mull over.
- *Transitory inflation has yet to transition, resulting in ongoing concerns among investors.* This along with the Delta variant of Covid (which may already have peaked), contributed to the wall of worry equity investors have to climb moving forward. I don't even want to get into the political arena, but investors also need to keep an eye on tax rates, which may be heading higher if Congress has its way.
- *The Federal Reserve continues to occupy center stage as taper-talk is near the top of people's worry list.* I have pointed out before in these letters, that Quantitative Easing has been more of an impediment to a return to normal than a help. Going into the Great Recession, the 10 year Treasury was circling 5%. So why do people worry about the current rate at under 1.5%? Beats me!
- *While we should expect market choppiness for the next month or two, volatility as measured by the VIX remains subdued.* For most of 2021, it has stayed in a trading range between 16 and 24. This is a far cry from where Algo traders drove volatility during the 2020 crash.
- *Finally, let's take a look at technical analysis and valuations.* The bulls have been on technical "cruise control" all summer. That may change in the short term. On the valuation front, our [Relative Value](#) (click link to view) on large caps says we are at full value for the year. On the other hand, the [Russell 2000 chart](#) (click link to view) says we have room to grow. We have come a long way since the dark days of last year. Fingers crossed moving ahead!

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