

Enjoying the Ride: What's so spooky about Halloween anyway?



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As the leaves change colors and the air turns crisp, my mind turns to the season of holidays, starting with the scariest of them all, Halloween! While my kids excitedly pick out their costumes and dreaming of bags of candy, I think about what scares me most as a financial professional: a poor performing stock market season!

Since 1928, the month of September is historically the worst month of the year for stocks, and for 2021 this trend was no different. The Dow Jones Industrial Average fell -3.5 percent, the S&P 500 was down -3.9 percent and the Nasdaq Composite fell -4.6 percent.

So what, you may be saying. That doesn't seem so bad given the kind of returns the markets have been providing the past couple of years. Well, let's keep in mind, some pretty nasty sell-offs began in September in the relatively recent past as well, including Black Wednesday on Sept. 16, 1992, the September 2001 sell-off due to 9/11, and even 2008 as the great financial crisis was ushered in.

But what about October? As we inch toward Halloween, will we get a trick or a treat? Should we be scared of what's to come?

Historically, some pretty big corrections have happened in October. The Bank Panic of 1907, the Stock Market Crash of 1929 and Black Monday of 1987 were all devastating market events in the short term that occurred in October. Ghosts and goblins are enough to cause a fright this month—no need to add market woes on top of that.

Historical trends would tell us the worst may be behind us. Over the years, the month of October has been a middling performing month with an average annual return of +.58 percent over the past 40 years. While nothing to write home about, this compares to the mean September monthly performance of -.77 percent.

In fact, over the past 20 years of trading, the three best months to begin investing initially were April, November, and, you guessed it, October.

There are a lot of reasons this could have been the case. Maybe it's been the relative softness investors could have bought into following a weak September market; perhaps it's the inventory build-up by retailers leading to the typically robust holiday retail season; or some economists have even pointed to the summer commodities harvest season as a potential catalyst.

Regardless of these short-term, admittedly compelling trends in the marketplace, we at Shore to Summit Wealth Management believe in always investing with a long-term perspective. A well-diversified, disciplined investment plan and execution strategy developed with the assistance of your financial advisor will always help to take the fear out of investing and allow you to continue to Enjoy Your Ride...even in the spookiest of times!

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