

September...”Chasing the Clouds Away”

MICKEY GUIDRY, OSJ, CFA

People aged 8 to 80 can sing along to Earth Wind and Fire’s classic song “September”. It’s a song that transcends time and I’ve told my kids that their grandkids will probably still be dancing to that song at weddings in the 22nd century. One part of the lyrics in the song particularly talks about “chasing the clouds away...”. In fact, the whole upbeat song is one of celebrating “never a cloudy day”.

Interestingly enough, our stock market since 1950 has only had one month historically that has declined more times than it has advanced. Guess what month that is? Yep, September is our worst month. So how did the month of September do in 2021? Yep, it declined again losing just over 4.5%. Certainly Earth Wind and Fire were not singing about our stock market when they crooned “never a cloudy day”. September in the markets holds a dubious place in the rankings.

But what does this actually mean? Is there a pattern that we should all pay attention to like “if the NFC wins the superbowl there is going to be a positive year for the market”. As silly as this may sound, many investors try and make sense of short term data and utilize it for investment strategies. Having been through several cycles in my career and studying the many cycles in our markets history, I can tell you that all of this is just noise. News outlets and day traders data mine constantly to try and find things that will sound interesting on air or give them a quick return. In our world of managing wealth for people we filter out the “noise” as much as possible. The noise more than often leads to poor decisions.

For instance, if you would have decided to sit out of September, even with its losing track record, you would have missed some big returns in some specific years like up over 9% in 2010...just in one month. And, there were many other great September returns. Yes, some have been successful managing the noise. A finance professor I had in graduate school used to tell us that if 50 people flipped a coin 10 times trying to land on “heads” 10 times in a row, one of them would likely accomplish it. Thus, the great manager or portfolio that your brother in law tells you about. Its an age old story.

So the moral to the story...Try and filter out as much noise as possible and focus on the long term. I know it sounds cliché and once again you are reading a financial newsletter telling you to “focus on the long term”. But guess what? It works. On a year by year basis, the stock market has been positive 75% of the time. If you hold for any 10 year period historically you would have had a positive experience 93% of the time. People that are “scared of the stock market” are actually scared by the noise that they hear...certainly not by the statistics that drive what we do for clients every day.

So maybe the song makes sense. Chase the clouds away and quit listening to the noise. And, most importantly stay long term focused. So here you go, you have just read another cliché financial monthly newsletter...and you are reminded how focused we are on sticking to these fundamentals.

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