HERITAGE CAPITAL LLC

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I cannot believe that September is here. That was the fastest August ever! With the turn of the calendar, the stock market now enters what has historically been the worst month if you look back 100 years. Of course, none of us have been investing that long and as we all know, markets can and do morph. In other words, over time, markets are at least efficient enough to arbitrage away many of the known calendar effects. Sometimes, the trend starts early, but sometimes the trend becomes impotent.

Last month at this time, I wrote about how August had morphed into a flat month historically, regardless of whether the stock market began the month in a bull or bear market. (Remember the second half of that statement.) That trend did not work out so well in 2018 as August turned out to be a very nice month for the bulls.

So here we are in September. Since 1928, the month has returned -1.1% on average with down months beating up months by 10. Since 1950, it's only lost .53% on average. And since the bull market began in 2009, on average, September has closed up by more than 1%!

Returns are in the eye of the beholder or certainly depending on what time horizon you use.

Let's look at what happens during bull and bear markets. September closes up almost .50% when beginning the month in a bull market versus down 2.7% when in a bear market. This statistic certainly seems more important than how September has fared overall as it suggests that when in a bear market, September is really poor which skews the overall average.

Now, let's finish this off with looking at how August, another traditionally challenging month, can impact September's performance.

When August closes higher, September has been in the red by roughly 1/3%. Since 2000, that figures more than triples although it is negatively skewed by two massive bear markets.

When August closes up during a bull market, September trends to the positive by roughly .14% and that figure jumps to almost .70% since 2000.

In short, although I offered an awful lot of stats about September and its historically poor returns, it seems like the most important determinant is whether the month began in a bull or bear market. In today's case, stocks are clearly in bull mode, thereby muting the historical negativity of the month.

Stocks remain in a bull market and our long-term models haven't budged since 2011. Leadership is strong and getting stronger. Any and all pullbacks are buying opportunities until proven otherwise. Our forecast for new highs has been met by all indices except for the Dow and I believe that new high is coming in Q4.

Lastly, gold seems to be in the throes of what I discussed in Street$marts last week. Let's see if the sector can hammer out a low this week or next.

To Your Financial Success,

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