The September Effect

Investors ending their fiscal year can lead to some market weakness.

Provided by DSA Financial Group

The stock market notched its 7th straight month of gains in August, and the Standard & Poor's 500 index has set 53 new highs so far in 2021.[1]

During August, stocks rallied as investors looked past the increased number of COVID-19 Delta variant cases and barely reacted when the Federal Reserve said it might begin tapering its monthly bond purchases by year-end.

But it's a new month, and you should expect to see an article or two about what's called the "September Effect." September is when many professional investors end their fiscal year, which can lead to some overall market weakness.[2]

When I see articles about the September Effect, I'm reminded of my favorite stock market quote by Mark Twain.[3]

"October: This is one of the particularly dangerous months to speculate in stocks. The others are July, January, September, April, November, May, March, June, December, August and February."

There's always going to be some market theory, opinion, or model that suggests we're in "this cycle" or "that trend." Over the years, we've found that the best strategy is to ignore the noise and focus on your investing goals.

Raymond Dahlman may be reached at 281-724-8181, 8310 South Valley Hwy, Suite 300, Englewood, CO 80112 or r.dahlman@dsafinancialgroup.com.

www.dsafinancialgroup.com

Citations

1. Forbes.com, September 1, 2021. The S&P 500 Composite Index is an unmanaged group of securities considered to be representative of the stock market in general. Index performance is not indicative of the past performance of a particular investment. Past performance does not guarantee future results. Individuals cannot invest directly in an index. Investing involves risks, and investment decisions should be based on your own goals, time horizon, and risk tolerance. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost.
2. Investopedia.com, May 17, 2020

3. GoodReads.com, 2021