Quant & Partners
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September 2021 Newsletter

SEPTEMBER: RETURN TO DAILY LIFE

September is the month when schools are back in session, when we are back to work after the holidays, although the office, in many cases, remains at home at least until the end of 2021.

Big companies such as Google, Apple and Facebook have decided that a full comeback to open spaces will be discussed in 2022 only.

At the end of vacation, routine resumes. This year, the return to school of children from all over the world remains a big question mark.

Is it a big risk given that the pandemic doesn't seem over yet?

Everyone holds its breath, also because children under the age of 12 are not vaccinated and the Delta variant is spreading like wildfire.
Delta is now dominant in Sars-CoV-2 positive swabs.

What will happen in the fall is difficult to predict.
The evolution of the pandemic and its impact on the economy and on the markets remain factors that should not be underestimated.

As already mentioned, many companies postpone the full return to office until next year, just as many companies postpone re-openings and contracts.
Retailers, restaurants and the entertainment industry are perceiving a slowdown in consumption in reaction to the spread of the contagious Delta variant.

The markets and the “September Effect”

Regarding the month of September and its “impact” on the stock markets, myths and legends are often mixed with real data.

Historically, it is said that September is among the worst months (with February) for the markets.
The following dates confirm a trend that has ancient roots.
Some mention the original Black Friday, dating back to September 24, 1869, when two investors, Jay Gould and Jim Fisk, drove up the price of gold and caused a crash that day. The stock market dropped 20% and foreign trade stopped. Farmers suffered a 50% dip in wheat and corn harvest value.
Some others link it to other miserable days taking place during this month, such as 9/11 or the acceleration of the subprime crisis in 2008.

The so-called "September Effect" therefore seems to hover over the markets like a curse, accompanied by the indolence of returning from holidays.
In any case, many statistics confirm the trend. Since 1928, the month of September has generated an average stock market return of -0.1% with a win-ratio of only 46%.

Could this year be different?

Everyone is hoping for it, also because the market is bullish and alive.
In fact, there have now been 15 winning streaks of seven or more months for the S&P 500 since 1945.
Many analysts assume that this year the traditional negative trend of September can be avoided and that the market rally may continue for a while longer.

Obviously, doubts remain regarding issues on which we have been questioning for months and to which markets are very sensitive: unemployment (it has been reported last week that more than a third of jobless Americans in August were long-term unemployed) and the inflation fear.

The Fed is still reassuring in this regard, but the situation could change in the near future.

Uncertainty and the relative market fatigue push investors to be cautious. They focus on a few stocks, mainly large-cap growth stocks and treasuries.
The advice remains that of a diversified portfolio, with a mix of different stocks.

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