



THE POST-VACATION FINANCIAL MARKET: A MONTH CHARACTERIZED BY A GLOOMY FEELING, IS IT TRUE?

The “back to school” of the kids also applies to Wall Street when everyone, in September, definitively returns to the office and to everyday life. Usually these are “gloomy” weeks, summer is ending, the cold season is approaching, and the holidays are now distant memories.

On the financial markets this state of mind is summarized in the so-called “*September Effect*”, which often affects the performance of the indexes. Historically, it has been the cruelest of month for stocks, even worse than April. In fact, since 1928, the S&P 500 has declined an average of 1.1% in September, the only month with a negative average return.

In addition to the psychological motive, it is impossible not to mention a more concrete reason for this trend: the return of high volumes to the market after Labor Day. Thanks to greater trading activity, the increase in volatility and therefore uncertainty is consequent.

What should we expect this year?

The US economy added 142K jobs in August 2024, more than a downwardly revised 89K in July, but below forecasts of 160K.

The unemployment rate, nevertheless, fell from 4.3% to 4.2%.

To date, it is therefore difficult to determine how the Fed will express itself on a first possible cut in interest rates at the meeting on September 18: -25 basis points, or -50?

Added to this is the excitement arising from the US presidential campaign, which usually increases volatility, but generally not before October.

However, analysts are convinced that giving in to despair during the month of September is counterproductive: “*The market’s best days are often right after its worst. Investors who panic and sell in September might miss out on the subsequent rebound*” (Ken Fisher).

How to invest in September?

In the current context, it is worth looking at dividend-paying stocks, usually concentrated in the utilities sectors (*Talen Energy - TLN* and *Vistra - VST* are suggested) and staples (*Kroger - KR*).

The dollar depreciation could boost the healthcare too.

The *Magnificent Seven* and the AI sector continue their climb, simultaneously dragging the entire Wall Street. It is advisable to consider buying them during brief moments of market correction, especially *Nvidia - NVDA* (but *Broadcom - AVGO* as well), *Apple - AAPL*, *Microsoft - MSFT* and *Alphabet - GOOG*.

However, we must not forget that there is an entire world of stocks beyond the largest technology capitalizations. The concentration of capital around them will not last forever and therefore it is right to be prepared by diversifying more your portfolio.



In this regard, we can mention the aerospace (*GE Aerospace - GE, TransDigm - TDG*) and defense sectors.

Last but not least, buying the seasonal dip (September-October) remains a strategy that usually proves to be successful.

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