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August 17, 2023

Dow Jones Industrial Avg: 34,474

Are We Back to Climbing the Wall of Worry???



I truly hope that you are not feeling like Tom Cruise in “Mission Impossible II” with your current investment portfolio. But, if you listen to the business news channels, I will not blame anyone for having a bit of vertigo!

I was driving my wife to work this past week, and we were listening to CNBC- and she said, “Is there anything positive going on???” I replied: “When people are fat and happy- it’s time to get out of the market, but when there is a high level of fear and worry- there is still money to be made.”

Hence the famous quote from Warren Buffett:

"A simple rule dictates my buying: Be fearful when others are greedy, and be greedy when others are fearful."

Let’s start with a brief look back before we discuss the potential returns of the markets, July 31, 2023, posted the following returns:

Index performance statistics	Price	Change	% Chg	% YTD Chg
Dow Jones Industrials	35559.53	100.24	0.28	7.28
NASDAQ Comp	14346.02	29.36	0.21	37.07
NASDAQ 100	15757.00	6.07	0.04	44.03
S&P 500	4588.96	6.73	0.15	19.52

Prices as of the prior day's close: July 31, 2023

Source: Bloomberg

Since the July 31, 2023, close, the market has slowly bled off through August 17, 2023:

Index performance statistics	Price	Change	% Chg	% YTD Chg
Dow Jones Industrials	34474.83	-290.91	-0.84	4.01
NASDAQ Comp	13316.93	-157.70	-1.17	27.23
NASDAQ 100	14715.81	-160.66	-1.08	34.52
S&P 500	4370.36	-33.97	-0.77	13.83

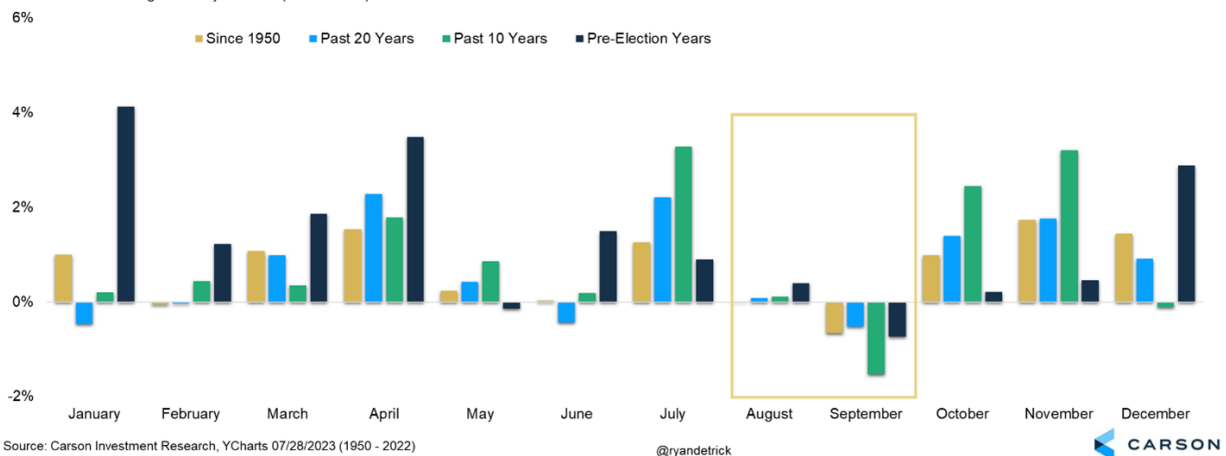
Prices as of the prior day's close: August 17, 2023

Source: Bloomberg

The term “seasonality of the stock market” truly comes into play in late Summer. August and September are notorious for being the worst months of the year for the stock market. And, this year, the seasonal pullback was “right on time.”

The Next Two Months Can Be Trouble

S&P 500 Index Average Monthly Returns (1950 - 2022)



- [Stocks Don't Like August, Now What? — Carson Group](#)

August, in general, is a strange month from the standpoint that corporate earnings are winding down and investors are still on vacation. Additionally, this year, the Federal Reserve will be holding a “symposium” at the end of the month at Jackson Hole, WY - which tends to add volatility to a market.

The agency held the same symposium last year, and during the meeting, the Chairperson of the Federal Reserve made very “hawkish” comments that sent the stock market into a downward spiral.

So, when I see that the NASDAQ is down 10% and the S&P 500 is down over 5%- I am not too surprised. There are enough worries to cause investors to want to lock in some of their profits and wait for the market to settle down (and get past the Jackson Hole meeting).

So, after three weeks of continued selling, WHERE DO WE GO FROM HERE?

Plainly there are still risks in the market, but with some of the froth coming off the market- it is my contention that investors need to focus on where the market will end the year, as opposed to trying to time the market.

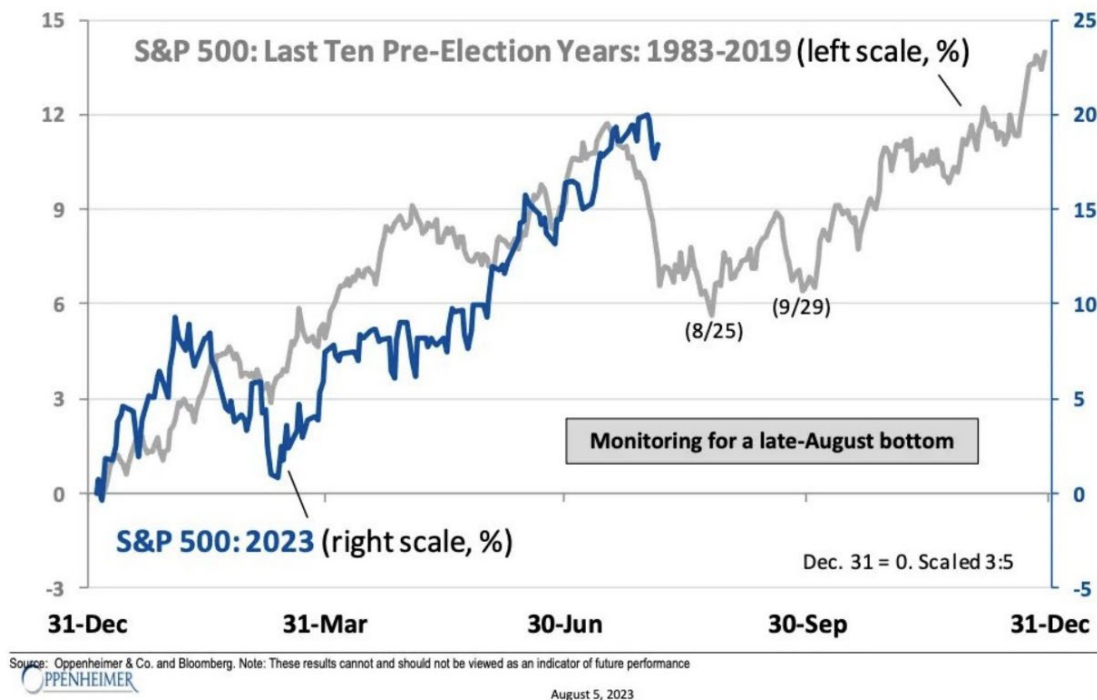
Allow me to give you a few items to help spread some optimism:

1. The most recent CPI data showed that (excluding shelter) the CPI was 2.0%, while the Core CPI (excluding shelter) was 2.5%. The Federal Reserve voiced their desire to bring down CPI from 9%, one year ago, down to 2.0%. So, we may see a pause at the next Fed meeting.

Assuming the Jackson Hole, WY symposium does not “throw a wrench” into the system.

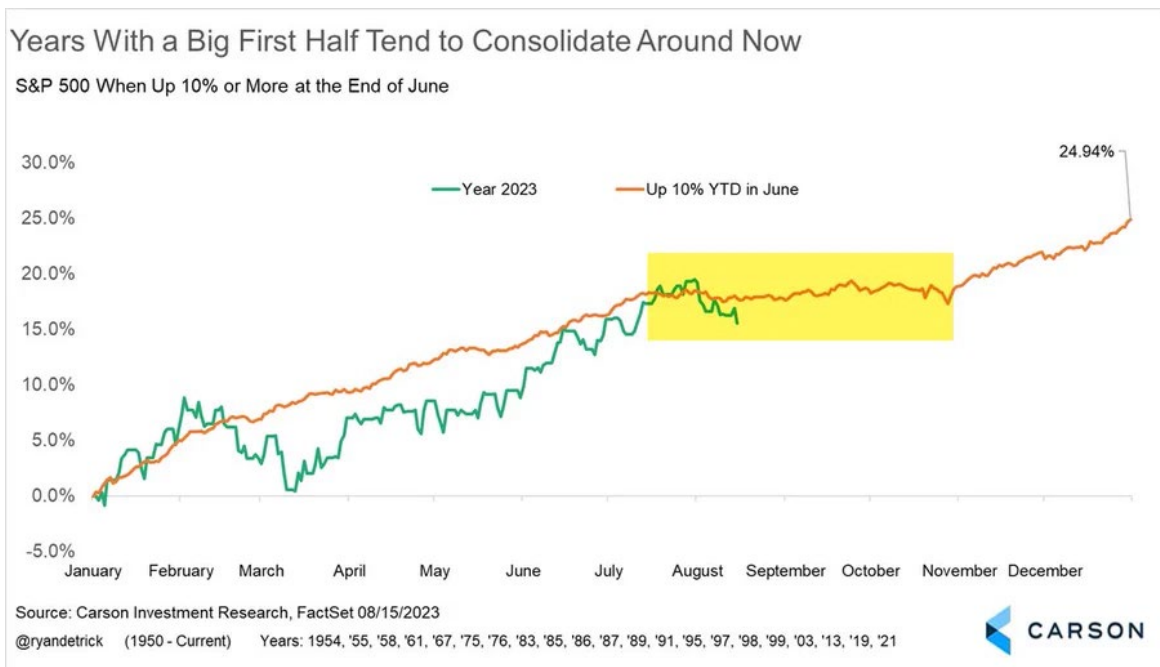
2. Unless you have been asleep for the past couple of months, you undoubtedly have noticed that the Presidential Election season is starting to heat up. UGH...

But the season reminds investors that we are in the third year of a presidential term, which is the best year of the four. As the sell-off in August came “right on time,” let’s hope that the rest of the year will play out, as the last 10 Pre-Election years have performed:



- <https://twitter.com/SethCL/status/1689022532161056768/photo/1>

3. Outside of the Pre-Election years, a consolidation (brief pullback) is normal (and perhaps healthy). For years that have shown a 10%+ gain in the first 6 months of the year, the following graph shows a period of pause, followed by strength through the end of the year:



- https://twitter.com/RyanDetrick/status/1691552995966623896?t=quw_q-CZtp02jFVLz1_Cg&s=01
- Lastly, I will not overwhelm you with a chart. **When the market has moved up 5 months in a row (as it did through July 31), the next 6-month period is higher 82.1% of the time, and up 92.9% of the time, over 12 months.**
 - [blog-4-copy.png \(936x1074\) \(carsongroup.com\)](blog-4-copy.png (936x1074) (carsongroup.com))

In conclusion, in the words of Louis Navellier, "Don't get shook out of the market ".
 Meaning, the market is always battling cross currents with market sentiment and seasonal volatility but do your best to block out the white noise of the media and stay focused on the bigger picture.

I could not agree more.

Enjoy the rest of your summer. Have a great Labor Day holiday!

Best regards,

Jeffrey S. Patterson
 Investment Account Manager

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