Market Note

Integra Capital ADVISORS

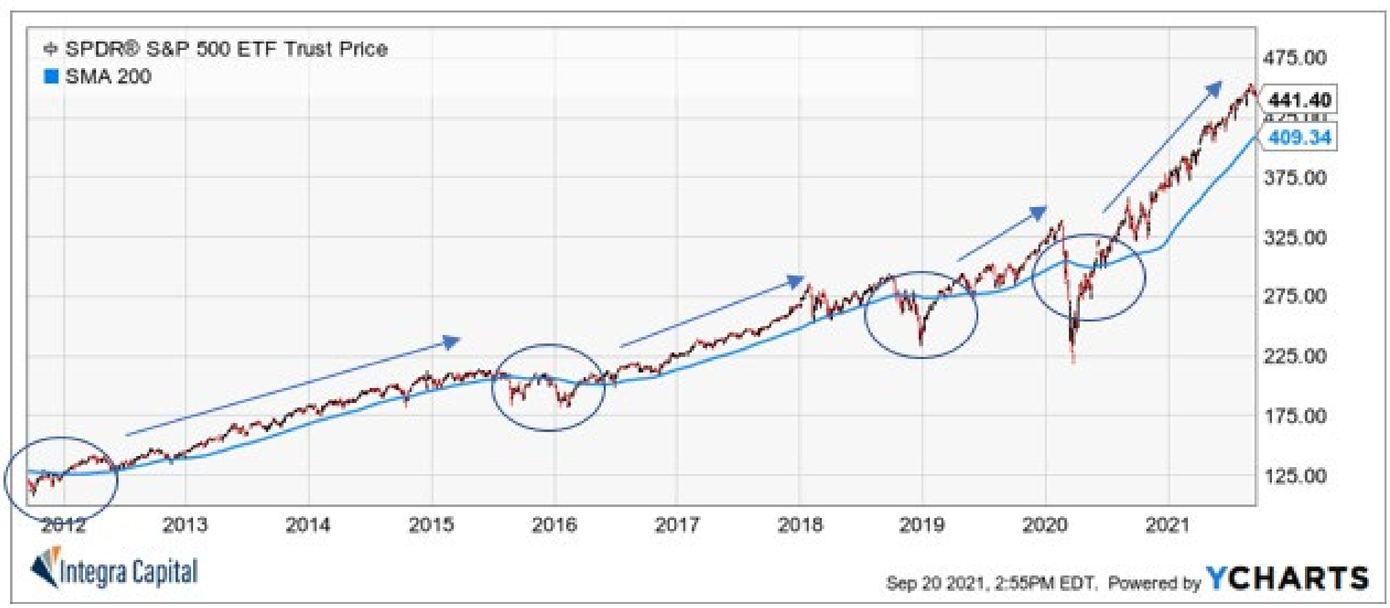
September 2021

Global stock markets have dripped slowly downward over the past couple weeks. Today, that slow drip seems to have become more of a leak as the major global stock indices sold off more in a single day, or at least since July.

Leading up to recent weeks and days, the stocks that comprise the S&P 500 index had reached a point where more than 75% had traded at prices above their 200-day average for 210 days, the 4th longest streak ever in history. That streak has now ended. Questions now include, why did the streak end? And what typically happens next?

There are a few culprits causing market nerves. The month of September is historically volatile and often negative for the stock market. The waring political parties are at it again as well. The weapon du jour is the limit on the amount of debt the U.S. government may issue (the debt ceiling). If Congress does not act to raise the debt ceiling by October 1st the United States will not be able to pay its bills, meaning defaults on U.S. Treasury debt. Stock market turmoil has also been stirred by the Chinese Communist Party's crackdown on publicly traded Chinese companies and rising tensions between China and the U.S. Remember, many U.S. based multinational companies derive a healthy chunk of their sales from the Chinese market for goods and services. Any limitations to market access would cause a recalibration of stock values for these companies. Last, but not least, the rise of the Delta variant has caused a slowdown in business activity, similar to the prior spike in COVID cases.

What usually happens after a streak in the number of trading days the S&P 500 closes above its 200-day moving average? Good things, if history is a guide. From 1933 to September 10, 2021, there were only 2 instances of S&P 500 losses during the next 3 to 6 months after the streak ended. You can observe this in the chart below of the S&P 500 with the 200-day simple moving average of the index overlaid in blue. The chart shows data going back 10 years and you can identify those times when similar streaks were broken and then subsequent positive index performance.



For now, we view recent volatility as a historically normal pattern (anyone remember the debt ceiling debate that roiled markets temporarily in 2011?) that will pass. However, we remain vigilant to any new information that becomes available.

As always, don't hesitate to connect with your Integra Capital financial advisor if you have questions or concerns.

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