



How Bull Markets Fare in October

The markets began September, historically one of the toughest months of the year, on a fearful note. In the first three trading days, the S&P 500 dropped 4.4%, leading investors to brace for another weak September. However, after the initial downturn, the markets rebounded and ended the month in positive territory, marking the first time since 2019 that September closed with gains.

As we move into October, a month known for its mixed returns, especially during election years, the S&P 500 has seen a gain of over 30% in the past 12 months. This milestone has been reached only six other times since 1950 when examining October to September 12-month periods. In 2024, this marks the seventh instance of such growth, but historically, October has not been a favorable month for market performance

Another Potential Worry For October

S&P 500 Returns When >30% YoY Going Into Q4 (1950 - Current)

Year	YoY Return End Of September	S&P 500 Index Returns	
		October Return	Q4 Return
1954	38.4%	-1.9%	11.4%
1955	35.2%	-3.0%	4.1%
1975	32.0%	6.2%	7.5%
1983	37.9%	-1.5%	-0.7%
1987	39.1%	-21.8%	-23.2%
1997	37.8%	-3.4%	2.4%
2024	34.4%	?	?
Average		-4.3%	0.3%
Median		-2.5%	3.3%
% Higher		16.7%	66.7%
Average Year (1950 - 2023)			
Average		0.9%	4.3%
Median		1.0%	5.3%
% Higher		59.5%	79.7%

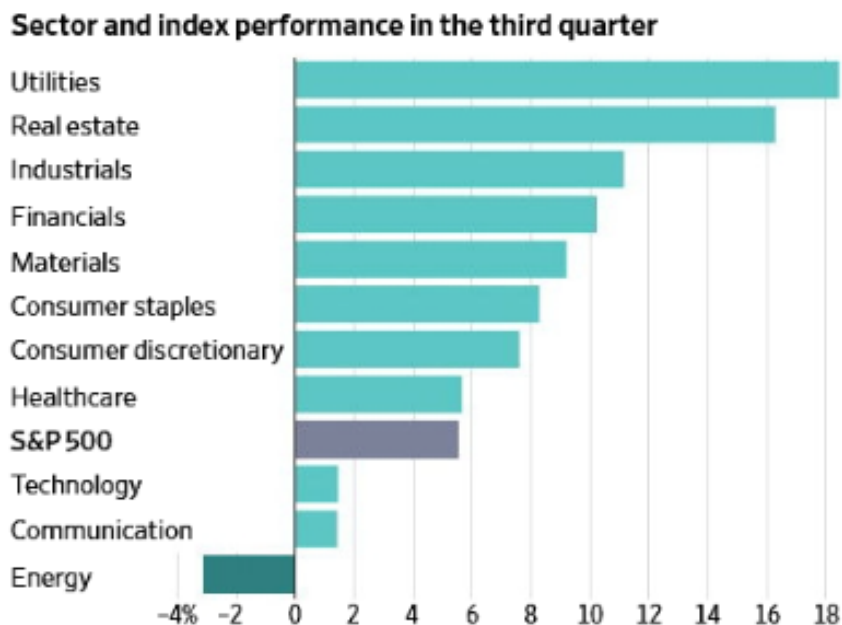
(Source: [Carson Investment Research](#))

The chart above illustrates that in five out of the last six instances, October has posted negative returns, with a median return of -2.5%. While the short-term uncertainty is apparent, looking beyond October reveals that those years experienced positive returns in Q4 66.7% of the time, with a median return of 3.3%. A notable example in this context is 1987, the year of Black Monday, when the market plummeted over 20% in a single day. Although there are outliers, this trend historically suggests a stronger finish to the year, even if October remains sluggish.

Broadening of Returns

One of the main themes among skeptical investors is the belief that mega-cap technology stocks are

propping up the market, and that once they lose momentum, the market will follow suit. This perspective has some merit, as these large tech companies hold significant weight in the S&P 500 index. However, despite this concern, the market managed to achieve positive returns in Q3 2024, largely driven by performance in other sectors.



(Source: Wall Street Journal)

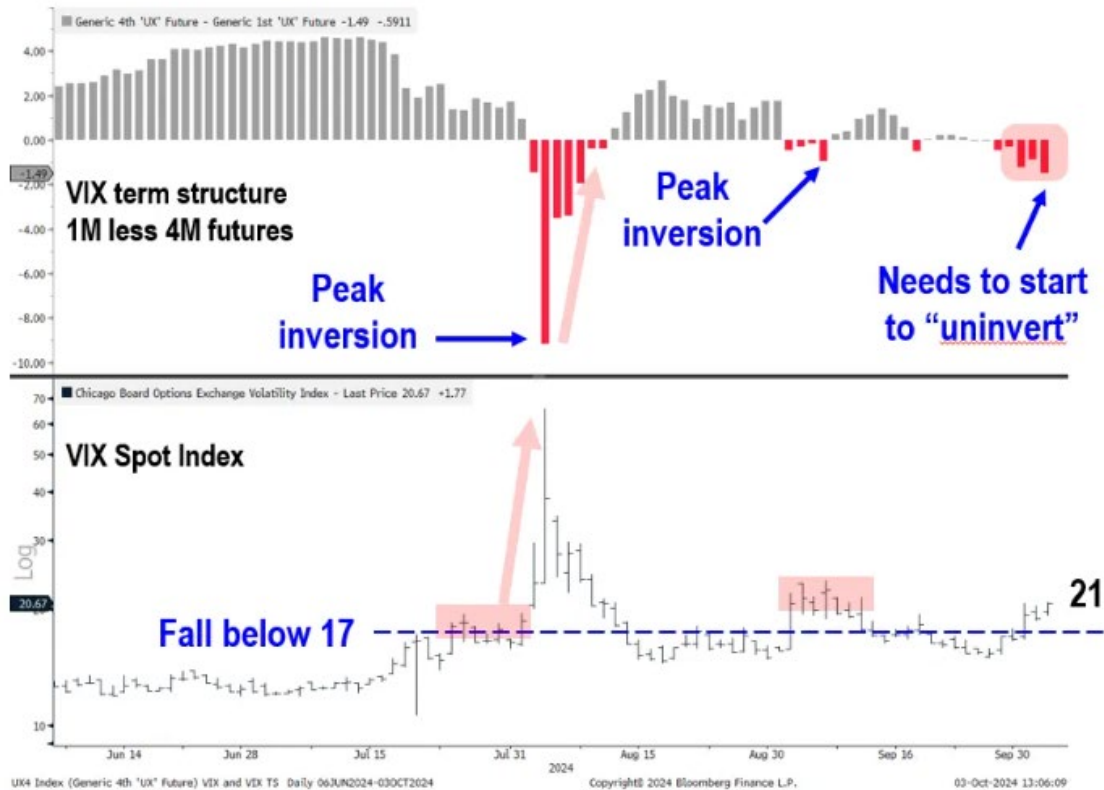
The sectors currently leading the market haven't been at the forefront for quite a while. With interest rates expected to decline, stocks that are closely tied to interest rates experienced their strongest quarter in some time. Additionally, utilities benefited from the rise of artificial intelligence, as significant energy is needed to support this technology. While technology stocks remained positive, much of the recent growth has come from other sectors rather than the usual leaders. This shift is a healthy sign for the sustainability of the bull market moving forward.

VIX Inversions

The VIX, or Volatility Index, measures expected volatility in the S&P 500 over the next 30 days and is often viewed by investors as an indicator of market fear. However, the less frequently analyzed 4-month VIX typically reflects greater volatility than the 30-day VIX. An inversion—where the 4-month VIX is lower than the 30-day VIX—has happened three times in 2024. The most significant instance occurred at the beginning of August, driven by a disappointing jobs report and the impact of the Japanese yen "carry trade."

Regardless of the cause of the inversion, stocks began to regain their footing and trend upward once the inversion was resolved, leading us to the current market conditions.

VIX: Are we seeing a “local” peak in VIX?



(Source: Fundstrat)

The chart above illustrates a slight inversion in the VIX, reflecting the typical overhang that October brings in an election year. Once this situation normalizes, historical trends suggest a stronger finish for the overall market as the year comes to a close.

Articles We're Reading

The Q3 earnings season may be the largest factor in whether the equity-market rally can continue ([Bloomberg](#))

Hot September jobs data sparking widespread second-guessing of Fed's recent cut ([CNN](#))

Chinese state media says recent stimulus has boosted home sales ([Reuters](#))

Israel intensifying its attack on targets in Beirut ([FT](#), [Reuters](#))

Market Snapshot

For the Month Ending 9/30/2024 (Cumulative Returns)¹

United States Markets	1-Month	3-Month	YTD	1-Year
Dow Jones Industrial Average	1.85%	8.21%	12.31%	26.33%
S&P 500	2.02%	5.53%	20.81%	34.38%
The NASDAQ Composite	2.68%	2.57%	21.71%	37.60%
U.S. Mid Cap	2.08%	8.37%	13.08%	26.98%
U.S. Small Cap	1.52%	8.08%	9.27%	24.14%

Global Markets	1-Month	3-Month	YTD	1-Year
Nikkei 225	-1.88%	-4.20%	13.31%	19.03%
Hang Seng	17.48%	19.27%	23.97%	18.66%
Shanghai Comp	17.39%	12.44%	12.15%	7.27%
FTSE 100	-1.67%	0.89%	6.51%	8.27%
DAX	2.21%	5.97%	15.36%	25.60%

Fixed Income	1-Month	3-Month	YTD	1-Year
Corporate Bonds	1.96%	6.61%	5.14%	15.75%
Municipal Bonds	0.24%	2.60%	1.05%	5.10%
High Yield Bonds	1.70%	5.70%	8.09%	15.76%

Market Indicators	Rate	Market Indicators	Value
10 Year Treasury	3.81%	WTI Crude Oil	68.17
Fed Funds Target	4.75 to 5.00%	Gold - Spot Price	2,659.40
Inflation Rate	2.50%	U.S. Dollar	100.78
Unemployment Rate	4.2%	CBOE Volatility Index	16.73

¹Source – Morningstar, Inc. Corporate Bonds is presented as the iShares iBoxx \$ Investment Grade Corporate Bond ETF. Municipal Bonds is presented as the iShares National Municipal Bond ETF. High Yield Bonds is presented as the iShares iBoxx \$ High Yield Corporate Bond ETF. 10 Year Treasury refers to the valuation of a 10 Year Treasury Note, a debt obligation issued by the U.S. Department of the Treasury. Fed Funds Target represents upper limit of the federal funds target range established by the Federal Open Market Committee. Inflation Rate provided for the purposes of this report by the U.S. Bureau of Labor Statistics. Unemployment Rate calculated by the U.S. Bureau of Labor Statistics. WTI Crude Oil refers to the price of a barrel of West Texas Intermediate (NYMEX) Crude Oil. Gold – Spot Price relates to the valuation of an ounce of gold, as traded on the NYSE Arca Exchange. U.S. Dollar refers to the U.S. Dollar Index (DXY). All Returns are denominated in USD (United States Dollar), unless otherwise explicitly noted.

Did You Know?

The U.S. is one of the few countries that holds its national elections on a weekday—**Tuesday**. This tradition dates back to 1845 when travel to polling places was more time-consuming, and Tuesday was chosen as the most convenient day for farmers, allowing them to attend church on Sunday, travel on Monday, and vote on Tuesday. Despite the modernization of transportation and voting methods, this practice remains, though there are ongoing discussions about moving Election Day to the weekend or making it a national holiday to increase voter turnout.

Presented by the Investment Committee of Lake Street, an SEC Registered Investment Adviser

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