CLADIS
INVESTMENT ADVISORY, LLC

180 S 32nd Street West, Suite 1
Billings, MT 59102
406-259-4939

SEPTEMBER 2025

Why This September Could Defy a Tough Trend

September's history reveals risks, but 2025 could see a different outcome.

This September presents unique opportunities – and risks – for investors, setting the stage for a month that could break from historical patterns. While September has long had a reputation as Wall Street's "danger month," this year's strong technical momentum and recent record highs in the S&P 500 suggest that investors should tread thoughtfully, but not fearfully.

HISTORICAL SEPTEMBER RETURNS

Over the past 75 years, the S&P 500 has averaged a return of approximately -0.7% in September, with less than half of those months posting gains. This makes September statistically the worst-performing month for stocks, lagging far behind the typical monthly rise of about 0.6% across the calendar. The likelihood of a positive return in September is just 44%, compared to higher odds in all other months, highlighting persistent seasonal headwinds.

MOMENTUM MATTERS – TECHNICAL ANALYSIS

However, simply relying on seasonal statistics would ignore key market signals currently at play. Technical momentum is notably strong: the S&P 500 recently reclaimed its all-time high, finishing August with a gain of 1.9% and notching five new record closes. More notably, the index has traded north of its 200-day moving average – a critical technical indicator – for over three months. Historically, when the S&P 500 enters September above this threshold, the average September return jumps to +1.3%, with 60% positive outcomes.

This contrasts starkly with the average September decline of 4.2% when the index is below its 200-day moving average.

THE ROLE OF AUGUST MOMENTUM

August's performance is an important predictor for September. If the S&P 500 closes August "in the green," it tends to carry beneficial momentum into the next month, averaging a gain of 3.2%. Conversely, ending August in the red flips this average to a 3.8% loss. This year, 2025, meets several "danger criteria": August saw the S&P 500 gain 1.9% and set five new all-time highs, a combination that has, in eight previous instances since 1961, led to negative September returns every time. Such technical patterns matter to institutional investors who watch trend indicators closely and may adjust their positions based on them.

MACRO BACKDROP AND NEAR-TERM RISKS

Despite record highs, there are several reasons to exercise caution. Implied volatility tends to rise in autumn, and the CBOE Volatility Index (VIX) is currently at year-to-date lows, suggesting potential for increased market turbulence as major economic events – like Fed meetings and employment reports – unfold in September.

Political and macroeconomic uncertainties, including anticipated Federal Reserve rate decisions, can amplify volatility.

Historical data also points out that September frequently hosts notable corrections, especially following hot streaks in August. Major declines followed strong Augusts in 1987, 2008, and 2020.

WHAT SHOULD INVESTORS DO?

For long-term investors, the underlying message is to focus on extended horizons and maintain diversified portfolios, even as seasonal headwinds loom. The historical average yearly return for the S&P 500 – dating back 75 to 150 years – has historically averaged 9% to 10%, though future results may differ significantly. This highlights the benefit of disciplined, passive investing, rather than letting calendar effects dictate major allocation shifts.

SHORT-TERM SUGGESTIONS

Be aware of September's historical tendency for weakness but recognize the stronger odds for gains when momentum is positive and the S&P is above its 200-day moving average.

Monitor the macro environment closely, especially volatility indices and key economic reports, which can drive short-lived market swings.

...continued on back

CLADIS
INVESTMENT ADVISORY, LLC
180 S 32nd Street West, Suite 1
Billings, MT 59102

Remember to apply for your 2024 property tax rebate at getmyrebate.mt.gov by the October 1, 2025, deadline.

Why This September Could Defy a Tough Trend

September's history reveals risks, but 2025 could see a different outcome.

(continued)

Consider technical levels and recent performance before adjusting short-term equity positions. Institutional flows may be defensive if major event risks emerge.

LONG-TERM PERSPECTIVE

Consider staying invested for long durations, as the compounded annualized returns of the S&P 500 remain consistent over extended periods, even factoring in inflation and dividends.

Use short-term dips as potential buying opportunities for high-quality companies, provided core financial fundamentals remain intact.

BALANCE AWARENESS WITH CURRENT SIGNALS

While September's history reveals legitimate risks, this year's exceptional technical backdrop and August momentum could set the stage for a very different scenario – for both seasoned and new investors. Maintaining discipline and staying alert will be essential, but succumbing to calendar-based fear may mean missing out on opportunities in a market buoyed by strong underlying trends.

Investors should balance seasonal awareness with current technical and economic signals, seeking long-term growth beyond the volatility typical of September.

WE HOPE YOU AND YOUR FAMILIES ARE ENJOYING A BEAUTIFUL FALL!