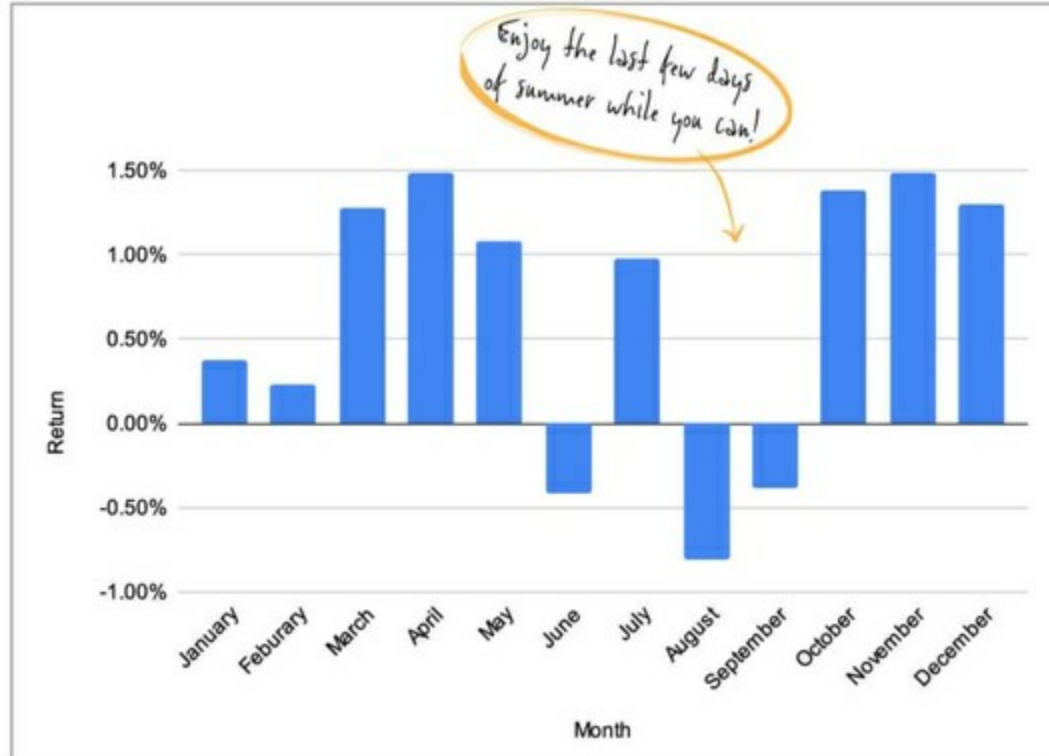


Why is August a volatile month? One simple reason: many people are on vacation.

And when people are out of the office, the financial markets often see less trading, which can cause big price swings following news events.

It's a Seasonal Thing

Average Returns by Month: January 1990 through April 2019



The S&P 500 Composite Index is an unmanaged index that is considered representative of the overall U.S. stock market. The Nasdaq Composite Index is an unmanaged index that is considered representative of small-capitalization companies. Index performance is not indicative of the past performance of a particular investment. Past performance does not guarantee future results. Individuals cannot invest directly in an index. The return and principal value of stock prices will fluctuate as market conditions change. And shares, when sold, may be worth more or less than their original cost.

Investing.com, July 28, 2023

The Fitch Ratings news was a great example. When the news started to circulate that the rating agency downgraded U.S. debt, the stock market started to trend lower. And by the end of trading on August 2, the Nasdaq Composite saw its worst day since February.¹

If the Fitch news hit in April, would stocks have reacted the same way? That's difficult to answer. But when markets are thinly traded news events tend to get magnified.

So don't be surprised to see a few more volatile days this month as we get updates on inflation and the jobs market—two key economic numbers tracked by the Fed. Also, don't be surprised to see some market volatility when Fed Chair Jerome Powell speaks at the Fed's Jackson Hole Symposium on August 24-26.

At last year's meeting, Powell's speech was seen as "hawkish" on interest rates, and it triggered a 3.4% drop in the Standard & Poor's 500.²

My two cents is to enjoy the last few weeks of summer. It won't be long before schools are in session and people will return to school-year routines.

1. CNBC.com, August 2, 2023. "Nasdaq drops more than 2% in worst day since February as Fitch downgrade ignites selloff."

2. CNBC.com, August 26, 2022. "Powell's comments fuel 1,000-point market rout Friday as stocks slide for a second week."

Bonnie Hill

bonnie@hillfs.com

203-284-0040

Hill Financial Services, PC

<http://www.hillfs.com>