

September 4—The 2019 summer consolidation continued through the month of August. As measured by the S&P 500, equities dropped 1.58% in August, and are off 3.05% from the July 26 high. Equities felt worse than this, and indeed were off 5.99% from the July top at the August low on the 14th. However, since our last commentary, published August 6, equities have endured a degree of volatility, not a significant decline. We attribute the durability of the equity market recently to the significant amount negative sentiment that we measure on a daily-basis. This is a contrary positive. As mentioned last month, there are many inputs into the price of stocks, psychology reflecting good and bad news shows up very quickly. Sentiment indicators remain decidedly fearful, consequently limiting downside risk. A lot of fear is already priced in.

An interesting corollary: over the past decade, the month of August has seen deteriorating returns, a possible seasonal shift from the September/October downdraft we had come to expect.

A further indication of market support can be found in our market breadth indicators. The accompanying chart illustrates the percentage of stocks above their 50-day moving average. This measurement has been flirting with oversold territory, having bottomed around the same level in June. This type of indicator can get more oversold. However, when taken together with the extreme sentiment we have been experiencing, this creates a meaningful message. This is a typical pattern in the bottoming process.

PERCENTAGE OF S&P 500 STOCKS > 50-DAY MAs



Source: Fairlead Strategies

Cary Street Partners is the trade name used by two separate limited liability companies, Cary Street Partners Investment Advisory LLC, a registered investment advisor; and Cary Street Partners LLC, a registered broker-dealer and a member of FINRA and SIPC. Luxon Financial LLC is the sole owner of Cary Street Partners LLC and Cary Street Partners Investment Advisory LLC.

This information was prepared by or obtained from sources believed to be reliable, but Cary Street Partners does not guarantee its accuracy or completeness. Any opinions expressed or implied herein are subject to change without notice. The material has been prepared or is distributed solely for information purposes and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. An investor cannot invest directly in an index. Past performance is no guarantee of future results. CSP2019205