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Investment Institute

Market Commentary

Weekly perspective on current market sentiment **September 10, 2026**

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Last week's S&P 500 Index: +0.1%

September seasonality: What it means for investors

Key takeaways

- Monthly historical S&P 500 Index data showing September as the worst performing month of the year is not reliably predictable, but recurring events such as biennial elections can add uncertainty to markets this time of year.
- We believe equity investors will look beyond the uncertainties of higher interest rates, elevated oil prices, and midterm elections to focus on continued economic growth and robust earnings through year-end and into 2027, supporting higher stock prices.

Since 1928, September has been the only month in which the S&P 500 Index has declined more often than it has risen. The index has finished lower in 55% of years with an average monthly return of -1.1%.[1]

Although this pattern attracts attention, market seasonality is not reliably predictable. September's weak record partly reflects several unusually large, one-off events. Since 1931, numerous declines near 10% or more have coincided with recessions or adverse external shocks. Broader market conditions also matter: The weakest Septembers generally occurred when the prevailing trend was already weak. This year, by contrast, the index was up 12.3% through August and remains well above its 200-day moving average.

That said, recurring events, especially biennial national elections, can add uncertainty to markets at this time of year. Once the primaries conclude, investors begin assessing potential Election Day outcomes and how a new congressional composition could affect economic and industry-specific legislation. Historically, markets tend to soften through mid-September, recover in October, and strengthen around Election Day through year-end.

In addition to midterm election uncertainties, questions about energy prices and bond yields may make investors hesitate over the coming weeks. Stock prices historically have absorbed higher rates when yields rise gradually. The bigger potential risk for equities would be a rapid and volatile rate repricing that disrupts financial conditions. We do not foresee those conditions now.

Most importantly, we expect investors to look beyond these uncertainties and focus on continued economic growth and robust earnings through year-end and well into 2027, supporting higher stock prices. Key factors include:

- Second-quarter earnings were much stronger than expected, rising 34%, while full-year estimates for 2026 and 2027 increased to 27% and 13%, respectively.
- Large technology hyperscalers (large cloud and technology platform companies) are projected to spend roughly $2 trillion on data centers over the next two years. This sustained capital investment should remain an important driver of broader economic growth.

We continue to favor U.S. Large Cap Equities and sectors closely tied to the artificial intelligence theme: Information Technology, Communication Services, and Materials. Elevated oil prices, higher interest rates, and geopolitics (including the upcoming midterm elections) increase the likelihood of a market drawdown, in our view. We continue to view market pullbacks as potential buying opportunities for long-term investors.

1. MarketWatch. August 31, 2026.

Risk considerations

Each asset class has its own risk and return characteristics. The level of risk associated with a particular investment or asset class generally correlates with the level of return the investment or asset class might achieve. **Stock markets**, especially foreign markets, are volatile. Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. **Bonds** are subject to market, interest rate, price, credit/default, liquidity, inflation and other risks. Prices tend to be inversely affected by changes in interest rates. The **commodities** markets are considered speculative, carry substantial risks, and have experienced periods of extreme volatility. Investing in a volatile and uncertain commodities market may cause a portfolio to rapidly increase or decrease in value which may result in greater share price volatility.

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Definitions

S&P 500 Index is a market capitalization-weighted index composed of 500 widely held common stocks that is generally considered representative of the US stock market.

An index is unmanaged and not available for direct investment.

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