

S&P 500 Average Summer Performance

This weekend marks the unofficial start to the Summer season, and with that a likely slowdown in activity on Wall Street. What makes this year unique is that while the typical Summer season lasts 14 weeks, because of the calendar, this year there are 15 weeks between Memorial Day and Labor Day, and the number of days in between is the largest number possible. Given the events of the last year, we think most would agree that it is well deserved. However, while Summer renters may be happy with getting 15 weeks for the price of 14, it may be a case of too much of a good thing for the market.

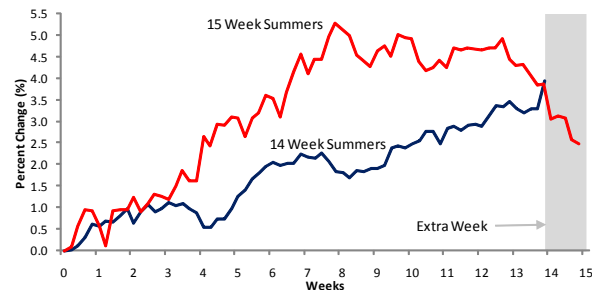
In the table below, we highlight the average performance of the S&P 500 during the unofficial Summer season since 1928, and we also break out the returns from Memorial Day through July 4th and July 4th through Labor Day. We then separated the performance of the S&P 500 between the usual 14 week Summers and the eleven 15 week Summers. Interestingly, during 15 week Summers, the S&P 500's performance up until July 4th has been notably better than average Summers, with a much greater consistency of positive returns (72.7%). However, from July 4th through Labor Day, the S&P 500's performance during 'long' Summers takes a significant turn for the worse as the index averages a decline of 0.57% with positive returns only 54.5% of the time. So while 15 week Summers typically start off strong, they seem to overheat in the second half and end up with sub par returns.

S&P 500 Average Summer Performance: 1928 - 2009

	Occurrences	Memorial Day - July 4th		July 4th - Labor Day		Memorial Day - Labor Day	
		% Change	% of Time Positive	% Change	% of Time Positive	% Change	% of Time Positive
All Summers	81	1.33	56.8	2.42	59.3	3.73	67.9
14 Week Summers	70	1.05	54.3	2.90	60.0	3.93	68.6
15 Week Summers	11	3.09	72.7	-0.57	54.5	2.47	63.6

To further illustrate the disparity between performance in "long" and "short" Summers, in the chart to the right we created composite charts of the average Summer performance during 14 and 15 week Summers. As shown, the S&P 500's performance has typically peaked at the halfway point of 15 week Summers and then ended the Summer on a down note. During 14 week Summers, on the other hand, the market usually closes out the Summer on a high note. Ironically, the average performance of the S&P 500 at the end of week 14 is nearly identical for 14 and 15 week Summers (3.93% vs. 3.89%, respectively). The only difference is that during 14 week Summers, the bulls are wishing it would never end, but during 15 week Summers, it can't end soon enough.

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Finally, looking at recent trends in Summer performance shows that the S&P 500 has been down the last two Summers. Since 1928, there has only been one other period where the index was down for three consecutive Summers (1973: -3.4%, 1974: -18.5%, and 1975: -4.1%). Additionally, from Memorial Day through July 4th, we have been down each of the last four years, which is the longest streak on record. Hopefully for the bulls, the positive start typically seen in 15 week Summers helps to end that streak this year.