

Investment decisions don't have to be affected by 'scary' month

History shows that ghosts of October stock market actually a myth

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Were you spooked by ghosts in October? Not by the little beggars running the streets but the ghosts of October stock markets past.

Every year investors grow nervous with—and some act on—the fear that October is a bad month for stocks. They are haunted by the Octobers of 1929 and 1987.

Richard Luthman CFP, CPA, a 30-year veteran of the asset-management business and principal of Luthman Financial Management, pulls the sheet off of that bogeyman.

"I went back over the past 80 years—1929 to 2009—and looked at every October," Luthman said. "There were 31 negative Octobers and 49 positive Octobers—50 percent more positive Octobers than negative ones. Looking at the negative Octobers, they averaged -4.6 percent while the positive Octobers averaged +3.9 percent."

"Nothing too scary so far," he said.

Luthman then looked to see how many Octobers were "scary," which he defined as at least a 9 percent loss.

"The answer was six," Luthman said.

The years and their returns:

- 1929 — -12.6 percent
- 1931 — -9.7 percent
- 1932 — -9.0 percent
- 1937 — -10.5 percent
- 1948 — -9.1 percent
- 1973 — -14.9 percent.

"Four of the six were in the 1930s, and our economy has changed so much from farming-based to manufacturing to service that it does not make logical sense to say 'It happened then, so it could happen now,'" Luthman said.

"Even in October 2008, in the wake of

the Lehman bankruptcy, stocks were only down, after quite a wild ride, -5.3 percent, which is not that scary."

Luthman said there were four Octobers with returns of 9 percent or greater.

They were:

- 1933 — +11.3 percent
- 1934 — +10.3 percent
- 1954 — +9.7 percent
- 1962 — +10.1 percent.

In fact, investors' fears are misplaced. Luthman said September should be spookier for investors than October.

"Historically, according to *Stock Traders Almanac* by Yale and Jeffery Hirsch, August through October are the worst three-month period of the year,

and of those, September is the worst," he said.

Luthman said October is often a "bear killer because more bear markets have ended in October."

Instead of being spooked by a month, Luthman tells his clients to focus on a longer period of time.

"If over 80 years there are 56 positive years to 24 negative years, then there are more than twice as many positive years as there are negative ones," he said. "Sounds like investors should worry more about finding the positive years instead of worrying about October, as I know they do."

