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CIO Insights

Septem-bear or Septem-best?

7 September 2026

Key Takeaways:

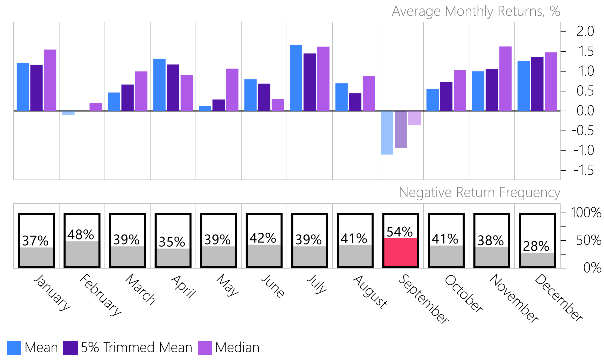
- September's reputation is worse than its recent record. The S&P 500 rose in 11 of the past 20 Septembers, but outsized losses in bad years kept average returns negative.
- We think this September's main risk is not the calendar. Hot inflation, a surprise Federal Reserve hike or unclear policy guidance (all not our house view) could unsettle markets already trading near record highs.
- Therefore, strong earnings growth and historically positive post-midterm performance support the equity outlook. We view any pullback as buy-able around key support levels.
- **Strategic view:** Stay overweight US equities through end-2026. **Tactical action:** Resist the temptation to wait for a major correction (< 10%). Maintain existing holdings and add exposure in phases, with a focus on profitable technology leaders. Healthcare and financials can serve as complementary positions to improve portfolio balance and reduce concentration risk.

September wins more often than the data says

September has a bad reputation. Our analysis stretching from 1927 to today, show that the S&P 500 has lost more than 1% on average during the month. No other month has been as reliably unhelpful.

Figure 1: September historically brings pain

Average Monthly Returns & Downside Frequency



Source: Bloomberg, UOB Private Bank. Data from 1927.

That is the long history. The past 20 years look rather different.

From 2006 to 2025, the S&P 500 rose in 11 Septembers and fell in nine. This means equities were up 55% of the time. Anyone saying September "usually falls" is leaning too heavily on the century-long average.

The details show that September's problem is not how often it loses. It is how badly it loses.

The average gain during those 11 positive Septembers was about 3.0%. The average loss across the nine negative years was roughly 4.8%. That dragged the full-period average down to minus 0.5%, even though winning years outnumbered losing ones.

Think of a coin landing heads 55% of the time. Heads pays $3, but tails costs nearly $5. The odds look favourable. The payoff is not.

Figure 2: S&P500 last 20 years (high, low, average)

	20Y High	20Y Avg	20Y Low	2026
Jan	7.87	0.24	-8.57	1.37
Feb	5.49	-0.05	-10.99	-0.87
Mar	8.54	1.17	-12.51	-5.09
Apr	12.68	1.88	-8.8	10.42
May	6.15	0.53	-8.2	5.15
Jun	6.89	0.16	-8.6	-1.06
Jul	9.11	2.44	-3.2	-0.13
Aug	7.01	0.16	-6.26	2.62
Sep	8.76	-0.5	-9.34	-0.25
Oct	10.77	0.99	-16.94	
Nov	10.75	2.09	-7.48	
Dec	6.53	0.59	-9.18	

Source: Bloomberg, UOB Private Bank.

The damage is concentrated in a few ugly years. The S&P 500 fell 9.08% in September 2008 and 9.34% in September 2022. Losses reached 7.18% in 2011, 4.76% in 2021 and 4.87% in 2023.

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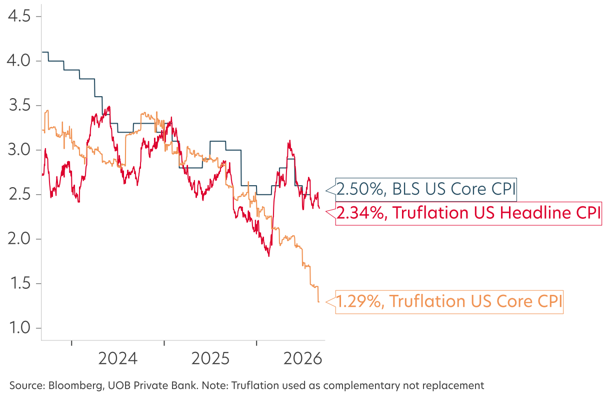
One reason the recent two decades may differ is that markets no longer operate under the same policy regime. Since the global financial crisis, central banks have repeatedly used quantitative easing (QE), emergency liquidity, forward guidance and larger balance sheets. Governments have become quicker to deploy fiscal support when economies seize up.

We think this has changed investor behaviour. After years of policy rescues, investors have learnt to "buy trouble rather than wait for clarity". Every wobble carries the possibility of a supportive central bank, fresh liquidity or another government package. The "Fed put" is overused as a phrase, but we think cannot ignored as a trading strategy.

Still, 20 observations cannot prove intervention made Septembers friendlier. Nor has policy support removed tail risk. It may simply have changed its shape. Small declines are bought faster, while sell-offs escaping the safety net become more violent. That happens when inflation stops central banks from helping, like in 2022.

Figure 3: Inflation moving directionally lower



Source: Bloomberg, UOB Private Bank

This September could test that limit

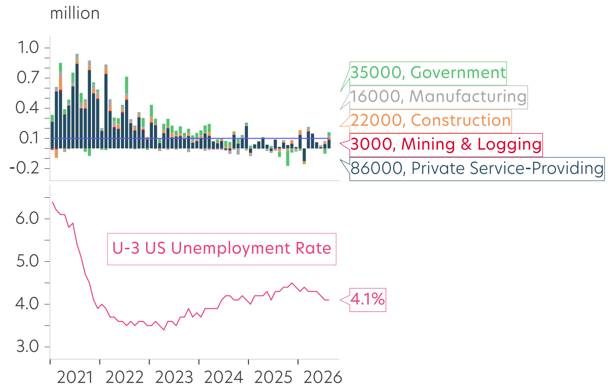
The next US Consumer Price Index report lands on Friday, 11 September, five days before the Federal Open Market Committee decision. A hot number would leave markets little time to reconsider rates.

One of our go-to inflation data points is from Truflation, where it tracks a representative basket of goods and services like the CPI. We like that it's a daily data point and while not as rigorous as the BLS CPI data point, it helps us see directionally where the official print might come in. **Fig 3** shows us that the trends remains disinflationary though possibly still not firmly below 2% target of the Fed.

Jobs complete the Fed's September puzzle

The August jobs report added another piece to the Federal Reserve's September puzzle. US non-farm payrolls rose by 162,000, compared with consensus expectations of about 53,000 (**Fig. 4**). The unemployment rate was 4.1%, while average hourly earnings increased by 0.3% m/m and 3.1% y/y. Revisions increased the payroll gains for June and July by a combined 55,000.

Figure 4: Non-Farm Payrolls 1mth change



Source: Bloomberg, BLS, UOB Private Bank

Taken together, the jobs report suggests the labour market is proving more resilient than expected. Steady unemployment, firmer participation and upward revisions give the Fed greater room to raise rates if inflation remains elevated. However, the upcoming inflation report may ultimately carry more weight for the September decision. A softer print could reduce the need for further tightening, while an upside surprise would strengthen the case for a hike.

For now, the policy outlook remains finely balanced and could change quickly as new data arrive.

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Figure 5: Implied probability of September hike

Source: Bloomberg, UOB Private Bank

Post Jackson Hole, markets have made the September FOMC "live" with probability of a hike moving to a high of 58% (**Fig 5**). However, Fed Governor Christopher Waller's speech on Thursday was a pivotal data point. It was clear that he favours holding rates steady at the September FOMC meeting, explicitly noting that we should start to see softer inflation prints ahead.

If the Fed genuinely wanted to raise rates on 16 September, this was effectively its last chance to prepare investors before the pre-meeting blackout period.

Figure 6: July FOMC votes

Member	Vote	Hawk/Dove
Kevin Warsh	Hold	Moderately hawkish
Michelle Bowman	Hold	Hawkish
Christopher Waller	Hold	Moderately hawkish
Beth Hammack	Hike +25bp	Hawkish
Lorie Logan	Hike +25bp	Strong hawk
Neel Kashkari	Hike +25bp	Moderately hawkish
John Williams	Hold	Centrist
Jerome Powell	Hold	Centrist / slight hawk
Philip Jefferson	Hold	Centrist-dovish
Michael Barr	Hold	Dovish
Lisa Cook	Hold	Dovish
Anna Paulson	Hold	Centrist-dovish

Source: Bloomberg, UOB Private Bank

UOB currently forecasts no rate hike or cut for the rest of 2026. That said, there is a real "incalculable" risk that a hike could happen this FOMC or post US midterms… for credibility or political reasons. A surprise move in late October, just days before the US midterms is unlikely in our view. Markets are now pricing for a hike in December and if disinflation continues (two more prints), this may also ebb away.

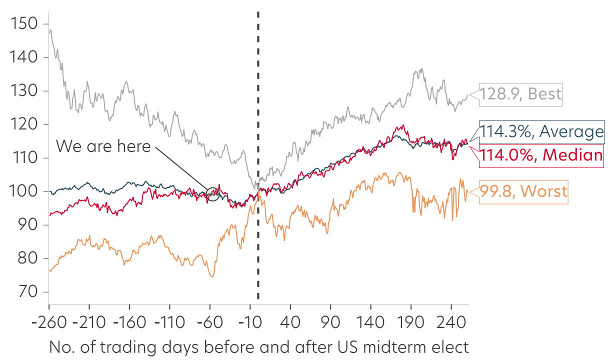
But what if the Fed really hikes?

We think markets can cope with a one-and-done hike especially with still strong earnings growth. The harder part is explaining it. Warsh must make clear that the Fed plans to raise rates once, then watch the effect on demand, jobs and inflation.

If he returns to his favoured "less-is-better" communication style, markets may fill the silence with their worst guesses. One hike can be priced. An unclear reaction function cannot. This means the press conference may move markets more than the decision.

Figure 7: S&P500 performance (last 13 mid-terms)

Rebased, Midterm election day = 100 at Day 0



Source: Bloomberg, UOB Private Bank.

The 3 November midterm elections add another tripwire. We are comforted that elections rarely beat earnings as a long-term market driver. Post elections, markets generally perform well (**Fig 7**). But with the S&P 500 near record highs, nervous investors leave little tolerance for hot inflation, a muddled Fed message or a political shock. Current prediction markets point to a gridlocked government with Republicans losing the House but a Democrat sweep is currently seen as negative for markets.

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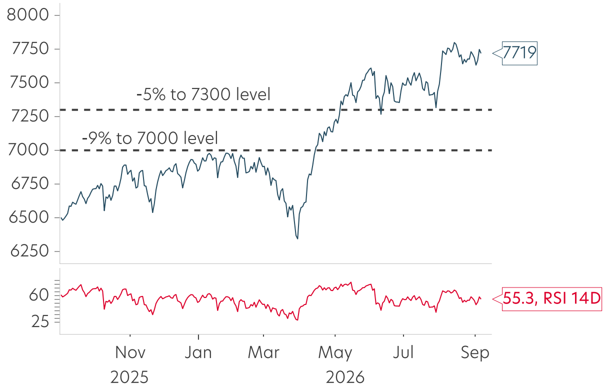
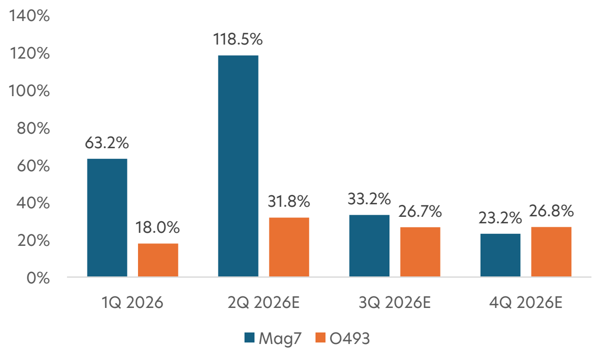
Figure 8: Where are important S&P500 levels?



Source: Bloomberg, UOB Private Bank

We would use a pullback to add exposure around key support levels (**Fig 8**) of 7300 and 7000. The earnings case still looks sturdy. Both the Magnificent Seven and the other 493 companies are expected to produce strong 3Q and 4Q profit growth (**Fig 9**). In fact, the S&P500 forward P/E valuations now sit below 20x, lower than the Nikkei 225 (**Fig. 10**).

Figure 9: Earnings remain solid

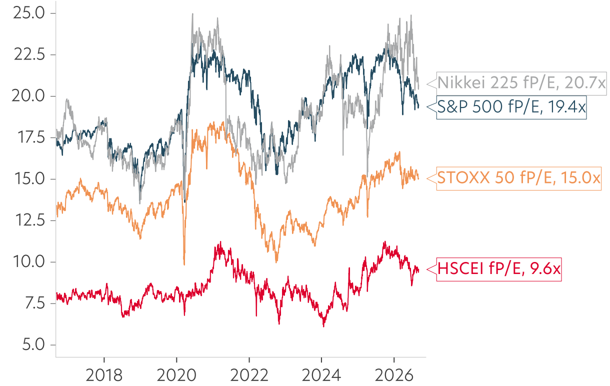


Source: Bloomberg, UOB Private Bank

Investment conclusion

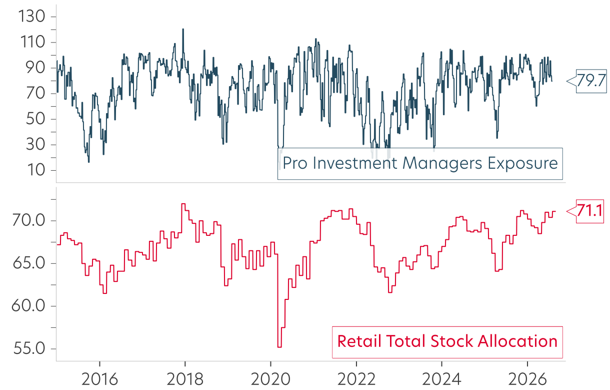
Our takeaway for investors is simple. Watch inflation, listen closely to Warsh and respect technical support. Do not sell because the calendar says September but we are inclined to accumulate on the dips to ride the positive seasonality and earnings growth picture.

Figure 10: Valuation of key markets



Source: Bloomberg, UOB Private Bank

Figure 11: US investor indicative positioning



Source: Bloomberg, UOB Private Bank

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