

Market Perspective – Six key charts on equity strength and remaining upside potential

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Despite rising geopolitical risks, peak economic growth concerns, and the Federal Reserve moving closer to tapering its asset purchase program, the steady ascent of stocks continues. The S&P 500 is on track to have risen for the seventh consecutive month and is up about 21% so far in 2021. While periodic setbacks are the admission price to the stock market, we see the primary market trend over the next 12 months as higher, supported by an economy on solid footing, attractive relative valuations, and robust earnings trends.

In today's note, we highlight six key charts on this year's equity strength and what they imply about the remaining market upside potential.

- Since 1950, there have been **14 years where the market has been up more than 15% through August**. Stocks went on to **add another 4% by year end**, on average, and **climbed in 12 of the 14 instances**, though periodic pullbacks along the way were normal.
- The S&P 500 is on track to rise for the **seventh straight month**. Following past instances, **stocks rose over the next six months 13 out of 14 times and averaged a 12-month gain of 10%**.
- So far, the **deepest pullback witnessed in 2021 has been only about 4%**. **The only two years that did not see at least a 5% pullback were 1995 and 2017**. Thus, it would be normal to see a pullback before year end, but our view is investors are better served to focus on the primary uptrend that remains in place.
- Stocks have recently bucked the normal seasonal weakness in August, but **remain in a historically-choppier period that tends to last into the fall**.
- Bull markets tend to be front-end loaded, but history suggests upside potential remains, albeit at a moderating pace. **The current bull market has gained 102% in 1.4 years versus the average bull market gain of 179% over 5.8 years since 1950**.
- The **S&P 500 Equal Weight Index**, a proxy for **the average stock**, is up only **3% since early May and does not appear extended**. This speaks to the **rolling sector corrections** that have been ongoing under the market's surface. However, the equal-weight index is now **breaking out above its multi-month trading range**, and we see further upside potential.



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Stocks tend to add to gains by year end when posting strong returns through August, though pullbacks along the way are normal

Since 1950, there have been 14 years where the market has been up more than 15% through August.

Stocks went on to add another 4% by year end, on average, and climbed in 12 of the 14 instances, though periodic pullbacks along the way were normal. (1987 was the significant negative outlier.)

S&P 500 performance after 15%-plus gains through August

Date	YTD gains through August	Rest of year gains	Maximum decline below the August 31 close through year end*
1954	20%	21%	0%
1955	20%	5%	-6%
1958	19%	16%	0%
1961	17%	5%	-3%
1967	17%	3%	-3%
1975	27%	4%	-6%
1983	17%	0%	-1%
1986	20%	-4%	-9%
1987	36%	-25%	-32%
1989	27%	1%	-5%
1991	20%	5%	-5%
1995	22%	10%	0%
1997	21%	8%	-2%
2019	17%	10%	-1%
2021	21%**	?	?
Average	21%	4%	-5%
Median	20%	5%	-3%

Data Source: Truist IAG, FactSet. Past performance does not guarantee future results

*Shows the maximum amount the S&P 500 went below the August month-end close during the remainder of the year;

0% indicates stocks did not breach the 8/31 close the rest of the year

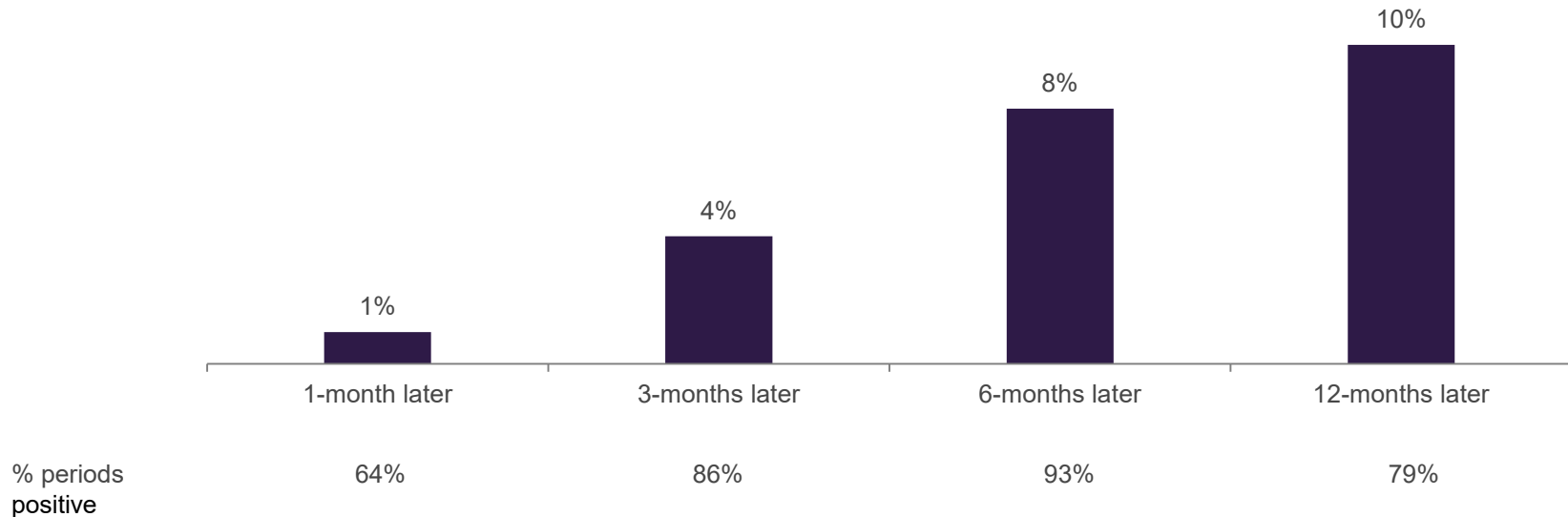
**2021 data through 8/30/2021



Historical S&P 500 performance after seven straight up months

The S&P 500 is on track to rise for the seventh straight month. Following past occurrences, stocks moved higher 13 out of 14 times six months later and averaged a 12-month gain of 10%.

**S&P 500 price returns after seven-straight positive months
(since 1950)**



Data Source Truist IAG, FactSet

Past performance does not guarantee future results.

Only two years since 1980 did not see a 5%-plus intra-year pullback

So far, the deepest pullback witnessed in 2021 has been only about 4%. The only two years that did not see at least a 5% pullback were 1995 and 2017. Thus, it would be normal to see a pullback before year end. However, periodic setbacks are the admission price to the stock market, and our view is investors are generally better served to focus on the primary market trend, which our work suggests is higher over the next 12 months..

S&P 500 intra-year declines vs. Calendar year price returns

■ Price Return ◆ Intra-Year Decline



'80 '81 '82 '83 '84 '85 '86 '87 '88 '89 '90 '91 '92 '93 '94 '95 '96 '97 '98 '99 '00 '01 '02 '03 '04 '05 '06 '07 '08 '09 '10 '11 '12 '13 '14 '15 '16 '17 '18 '19 '20 '21

Past performance does not guarantee future results. 2021 return and drawdown is year to date as of 8/30/21.

Data Source: Truist IAG, FactSet



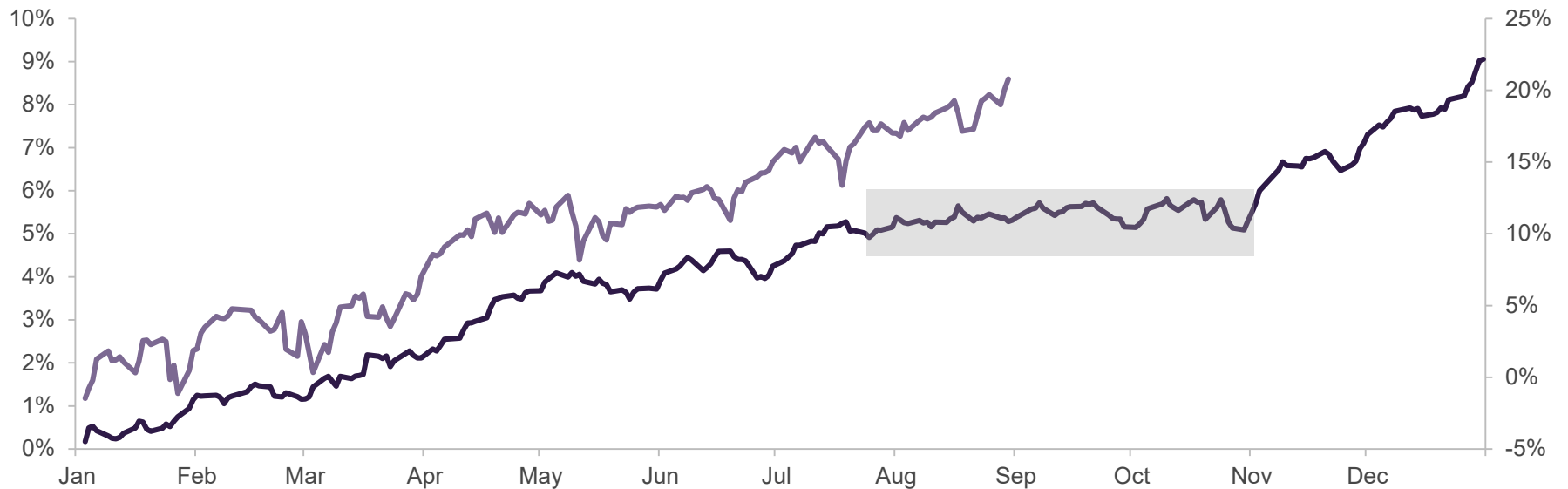
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Stocks in seasonally-choppier period

The market's year-to-date return is much stronger than average, and August bucked the usual seasonal weakness. However, while trends can deviate, and this is only one factor, the next few months tend to be a choppy environment for the market before a late-year rally.

S&P 500: Average calendar year path since 1950 vs. current

— average (l-scale) — 2021 (r-scale)

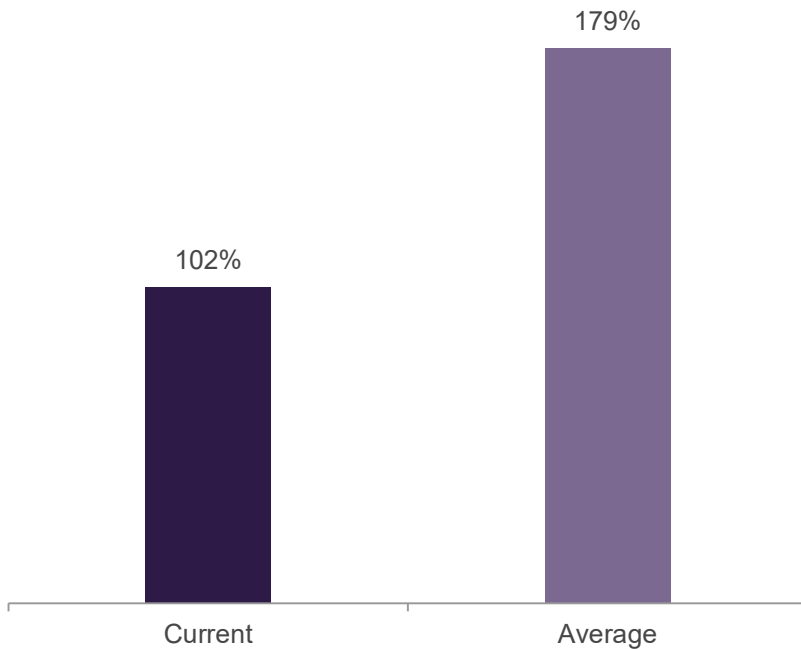


Data Source Truist IAG, FactSet

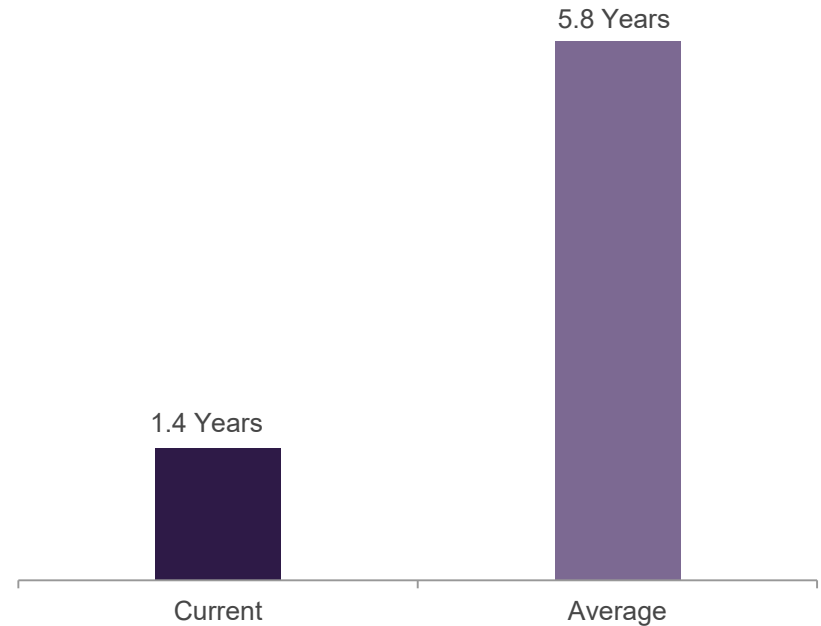
Past performance does not guarantee future results.

Bull markets tend to be front-end loaded, but history suggests upside potential remains, albeit at a moderating pace

S&P 500 average bull market price change vs. current



S&P 500 average bull market duration vs. current



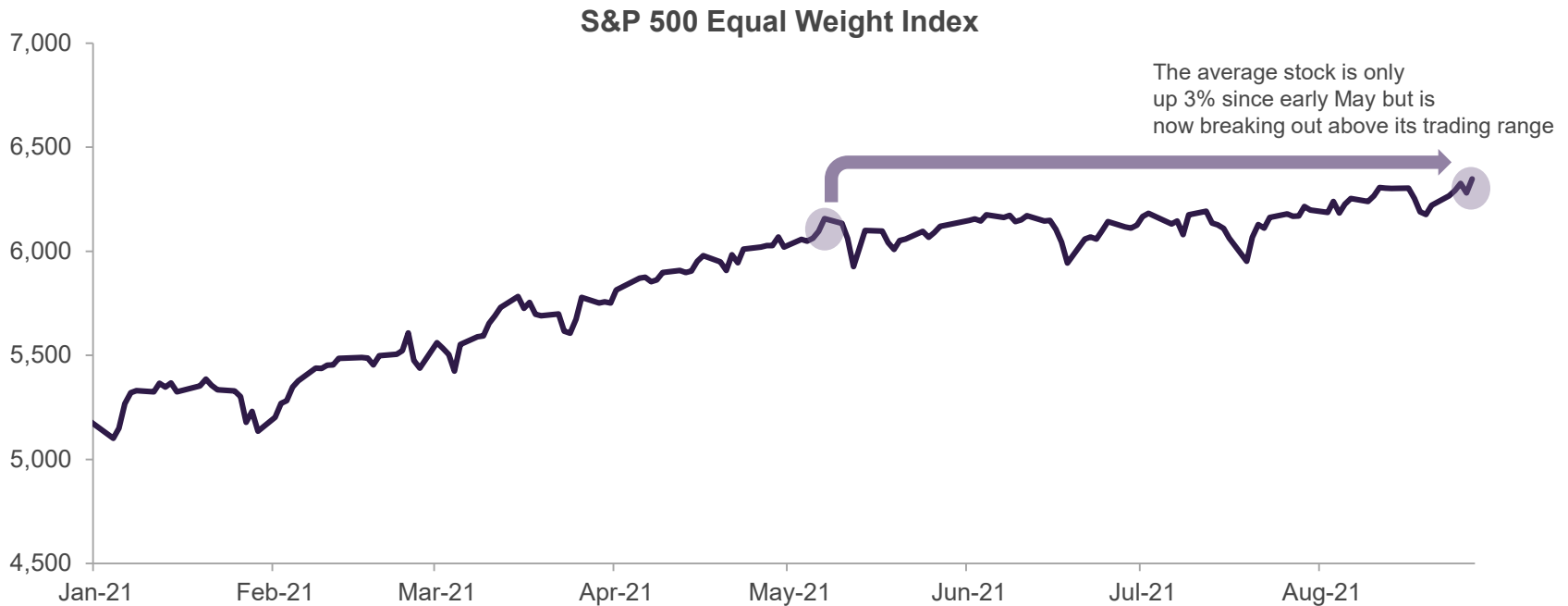
Current through 8/30/21

Data Source: Truist IAG, FactSet

Past performance does not guarantee future results.

The S&P 500 Equal Weight Index, a proxy for the average stock, is breaking out to the upside of its trading range after moving sideways since May

The S&P 500 Equal Weight Index, which assigns each stock in the index approximately the same weighting, is not extended. In fact, it's up only 3% since early May. This speaks to rolling sector corrections that have been ongoing under the market's surface. The traditional S&P 500 over the same period is up more than 7%, aided by a large weighting to mega cap technology stocks. However, the equal-weight index is now breaking out above its multi-month trading range, and we see further upside potential.



Data Source Truist IAG, FactSet

Past performance does not guarantee future results.

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