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Volume 19, No.10

1731 North Marcey, Chicago IL 60614

www.biancoresearch.com

Total Return Review

Viewing the Markets from a Total Return Perspective

By Greg Blaha (847) 304-1511

and Ryan Malo (847) 304-1511

October 1, 2010

So Much For Seasonal Patterns – Best September For Stocks Since 1939

With the best September since 1939 now officially entered into the record books, excited investors have heightened hopes for what October has in store for the stock market. Before they get too excited, however, they should consider how the market fared following the last time we had as strong a September...this walk down memory lane should serve as a good reality check on our natural temptation to conclude that, just because September 2010 was such a good one for equities, there's an increased chance that the stock market will do well in coming weeks too. [MarketWatch - Triumph of hope over experience](#)

This past month proved to be the best September to own the S&P 500 since 1939. So what should investors expect going into October? The tables below prove the old adage that, "past performance is not indicative of future returns."

The table on the left shows the S&P 500's 10 highest total returns in any given September since 1926. In roughly half of these examples (55.56%) stocks were higher the following October. On the heels of these 10 best Septembers, the average October total return was 0.72%. This compares poorly to the average monthly total return of **all months** since 1926 of 0.93%.

The table on the right shows statistics for the S&P 500's 10 worst total returns in any given September since 1926. In half of these 10 examples stocks were up the following October. On the heels of these 10 worst Septembers, the average October total return was -0.25%. Again, when compared to the average of **all monthly** returns of 0.93%, this is nothing to write home about.

The fact that September 2010 was the 39th best month to own the S&P 500 since 1926 is no reason to assume stocks should either continue this performance or reverse their course.

S&P 500 Total Returns		
Year	Best September Returns	The Following October
1939	16.73%	-1.23%
2010	8.92%	???
1954	8.51%	-1.67%
1998	6.41%	8.13%
1950	5.92%	0.93%
1996	5.62%	2.74%
1997	5.48%	-3.34%
1958	5.01%	2.70%
1927	4.50%	-5.02%
1945	4.38%	3.22%
The Top 10 Months		
Average	7.15%	0.72%
Positive Months	100.00%	55.56%
Negative Months	0.00%	44.44%
All Months Since 1926 (1,010 months)		
Average	0.93%	0.93%
Positive Months	61.68%	61.68%
Negative Months	38.32%	38.32%

S&P 500 Total Returns		
Year	Worst September Returns	The Following October
1931	-29.73%	8.96%
1937	-14.03%	-9.81%
1930	-12.82%	-8.55%
1974	-11.70%	16.57%
1933	-11.18%	-8.55%
2002	-10.87%	8.80%
1946	-9.97%	-0.60%
2008	-8.91%	-16.80%
1986	-8.22%	5.56%
2001	-8.08%	1.91%
The Bottom 10 Months		
Average	-12.55%	-0.25%
Positive Months	0.00%	50.00%
Negative Months	100.00%	50.00%
All Months Since 1926 (1,010 months)		
Average	0.93%	0.93%
Positive Months	61.68%	61.68%
Negative Months	38.32%	38.32%

U.S. Fixed Income Total Returns

	As of 9/30/10			Annualized Ending 9/30/10			
	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
Treasury Cash:	0.01%	0.06%	0.16%	0.20%	1.31%	2.71%	2.59%
3 Month	0.00%	0.04%	0.08%	0.13%	1.13%	2.61%	2.54%
6 Month	0.03%	0.11%	0.28%	0.36%	1.93%	3.15%	2.95%
Treasury Coupons:	-0.40%	3.42%	12.34%	8.69%	9.16%	7.03%	6.40%
2 Year	0.17%	0.57%	2.41%	2.49%	4.46%	4.55%	4.39%
5 Year	0.67%	3.36%	9.83%	9.20%	8.65%	6.85%	6.34%
10 Year	-0.14%	4.51%	14.29%	10.23%	9.26%	6.68%	6.64%
30 Year	-2.49%	4.63%	20.52%	10.34%	10.58%	6.88%	7.83%
Treasury Strips:	-1.74%	6.17%	22.18%	13.67%	11.84%	11.32%	9.92%
5 Year	0.36%	3.40%	10.32%	10.18%	9.49%	7.65%	7.28%
10 Year	-0.33%	6.30%	19.39%	16.21%	12.67%	9.16%	9.25%
15 Year	-1.73%	8.11%	26.06%	17.96%	13.31%	8.94%	10.00%
20 Year	-3.28%	7.15%	28.52%	15.55%	12.51%	8.29%	9.99%
25 Year	-4.48%	5.01%	27.77%	10.94%	11.36%	7.15%	9.64%
Broad Indices							
Merrill Lynch Domestic Master	0.06%	2.53%	7.97%	8.00%	7.56%	6.30%	6.49%
Barclay's (Lehman) Aggregate	0.11%	2.49%	7.95%	8.17%	7.43%	6.20%	6.41%
Barclay's (Lehman) Government/Credit	0.26%	3.28%	8.94%	8.72%	7.47%	6.15%	6.52%
Government Indices							
Barclay's (Lehman) Government	0.05%	2.52%	8.06%	6.98%	7.21%	6.10%	6.19%
Barclay's (Lehman) Treasury	0.02%	2.72%	8.75%	7.33%	7.43%	6.19%	6.21%
Barclay's (Lehman) Agency	0.17%	1.62%	5.40%	5.29%	6.46%	5.76%	6.06%
Agency Benchmarks							
2 Year	0.22%	0.92%	2.84%	2.83%	4.80%	4.83%	4.91%
5 Year	0.31%	2.81%	8.71%	8.79%	8.93%	7.27%	7.08%
10 Year	0.15%	3.76%	9.67%	8.71%	9.51%	7.37%	8.04%
30 Year	-0.61%	6.94%	15.68%	9.64%	10.06%	7.18%	9.13%
Other Indices							
Merrill Corporate	0.59%	4.90%	11.29%	12.64%	8.17%	6.39%	7.13%
Barclay's (Lehman) Mortgage	-0.38%	0.63%	5.11%	5.70%	7.45%	6.41%	6.26%
Barclay's (Lehman) Inflation Notes ("TIPS")	0.60%	2.48%	7.00%	8.89%	6.91%	5.49%	7.49%
Merrill High Yield	2.97%	6.70%	11.76%	18.51%	8.60%	8.30%	8.01%
Merrill Municipal	-0.06%	3.65%	7.10%	5.73%	6.03%	5.17%	6.26%

Treasury Cash: Equal-weighted total-return avg. of the Treasury yield curve from 3 to 12 month maturities.

Treasury Coupons: Equal-weighted total-return avg. of the Treasury yield curve from 2 to 30 year maturities.

Treasury Strips: Equal-weighted total-return average of Treasury Strips from 1 year to 30 years.

Sources: Bloomberg, Barclay's (Lehman Brothers), Merrill Lynch and Arbor Research & Trading

Total Return Comparisons: The "Bullet" versus "Barbells"

Portfolio Type*	As of 9/30/10					
	MTD	Diff.	QTD	Diff.	YTD	Diff.
Bullet (4.97 Duration)	0.36%		3.40%		10.32%	
5 yr and 10 yr	0.62%	0.26%	3.43%	0.02%	10.08%	-0.23%
5 yr and 30 yr	0.61%	0.25%	3.38%	-0.02%	10.01%	-0.31%
2 yr and 10 yr	0.03%	-0.33%	2.33%	-1.07%	7.73%	-2.59%
2 yr and 30 yr	-0.33%	-0.69%	1.34%	-2.07%	5.83%	-4.49%
Cash and 10 yr	-0.08%	-0.44%	2.55%	-0.85%	8.08%	-2.24%
Cash and 30 yr	-0.67%	-1.03%	1.27%	-2.13%	5.59%	-4.72%
Cash and 25 yr Strips	-0.87%	-1.23%	1.00%	-2.40%	5.47%	-4.85%

*This analysis compares the total return of the 5-Year Strip or the "bullet" to cash neutral, duration neutral barbells.

Its purpose is to quantify the effect of the yield curve on total return.

Sources: Bloomberg and Merrill Lynch

World Fixed-Income Total Returns (in U.S. Dollars)

	in U.S. Dollars						
	As of 9/30/10			Annualized Ending 9/30/10			
	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
J. P. Morgan Government Bond Indices							
Country							
Canada	4.28%	6.43%	10.08%	11.79%	6.15%	8.18%	10.76%
France	5.92%	14.57%	3.40%	1.80%	6.72%	7.44%	10.69%
Germany	6.14%	13.63%	3.94%	2.02%	6.65%	7.51%	10.62%
Italy	6.89%	14.54%	-1.36%	-2.32%	4.84%	6.25%	10.35%
Japan	0.60%	7.11%	15.22%	11.35%	14.79%	8.71%	4.77%
United Kingdom	1.94%	9.23%	7.21%	6.06%	-0.17%	3.52%	6.69%
United States	0.03%	2.82%	9.00%	7.58%	7.66%	6.33%	6.39%
Region							
Europe	5.52%	13.50%	2.58%	1.08%	5.05%	6.51%	10.00%
Global	2.21%	7.95%	8.35%	6.28%	8.74%	7.32%	7.79%
Global Non-United States	3.23%	10.37%	8.25%	5.91%	9.21%	7.71%	8.23%
J. P. Morgan Emerging Markets Bond Indices							
EMBI Plus	1.80%	8.90%	14.46%	16.02%	10.15%	9.35%	11.01%
Region							
Latin	1.98%	8.54%	14.84%	14.24%	9.18%	9.10%	9.32%
Non-Latin	1.62%	9.29%	14.07%	18.10%	11.33%	9.56%	14.64%

World Fixed-Income Total Returns (in Local Currency)

	in Local Currency						
	As of 9/30/10			Annualized Ending 9/30/10			
	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
J. P. Morgan Government Bond Indices							
Country							
Canada	0.32%	2.74%	7.72%	6.85%	7.28%	5.55%	6.59%
France	-1.39%	2.80%	8.66%	8.99%	8.18%	4.80%	5.96%
Germany	-1.19%	1.95%	9.24%	9.23%	8.11%	4.87%	5.90%
Italy	-0.49%	2.77%	3.66%	4.58%	6.28%	3.65%	5.64%
Japan	0.08%	1.12%	3.39%	3.89%	3.19%	2.27%	2.11%
United Kingdom	-0.58%	3.71%	9.87%	7.65%	8.76%	5.94%	6.01%
United States	0.03%	2.82%	9.00%	7.58%	7.66%	6.33%	6.39%
Region							
Europe	-0.95%	2.84%	7.25%	7.20%	7.60%	4.60%	5.86%
Global	-0.30%	2.29%	6.62%	6.38%	6.18%	4.27%	4.91%
Global Non-United States	-0.45%	2.05%	5.57%	5.74%	5.67%	3.61%	4.39%

Sources: Bloomberg and J. P. Morgan & Co. Incorporated (<http://www.jpmorgan.com/>)

U. S. Equity Total Returns

	As of 9/30/10			Annualized Ending 9/30/10			
	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
Broad Market							
Dow Jones Industrials ²	7.85%	11.13%	5.60%	14.15%	-5.48%	3.05%	2.50%
NASDAQ Composite ¹	12.17%	12.62%	5.17%	12.75%	-3.35%	2.86%	-3.54%
NASDAQ 100 ²	13.07%	15.08%	7.98%	17.04%	-0.87%	5.13%	-5.28%
Russell 1000 ⁴	9.19%	11.55%	4.41%	10.75%	-6.79%	0.87%	-0.21%
Russell 2000 ⁴	12.46%	11.29%	9.12%	13.35%	-4.29%	1.52%	4.00%
Russell 3000 ⁴	9.44%	11.53%	4.78%	10.96%	-6.59%	0.92%	0.09%
S&P 500 (Capitalization Weighted) ³	8.92%	11.30%	3.91%	10.18%	-7.15%	0.64%	-0.43%
S&P 500 (Equal Weighted) ¹	10.30%	12.70%	8.84%	15.85%	-3.02%	2.94%	5.83%
S&P 400 MidCap ³	11.30%	13.11%	11.58%	17.79%	-1.67%	3.77%	5.39%
S&P 600 SmallCap ³	11.40%	9.62%	8.69%	14.26%	-4.17%	1.63%	6.19%
Wilshire 5000 ¹	9.31%	11.49%	4.99%	11.07%	-6.47%	1.11%	0.29%
Interest Rate Sensitive							
PSE Electric Utility Index ²	2.63%	12.32%	4.60%	10.95%	16.55%	14.82%	11.38%
KBW Bank Stock Index ²	6.40%	0.41%	8.91%	-1.19%	-23.17%	-11.74%	-3.92%
S&P 500 Financial Index ²	6.08%	4.34%	0.52%	-2.81%	-23.22%	-11.10%	-4.51%
Other Indices							
Morgan Stanley Consumer Index ²	8.51%	11.23%	7.01%	12.40%	0.71%	6.25%	5.25%
Morgan Stanley Cyclical Index ²	10.74%	14.01%	7.76%	21.85%	-3.68%	6.29%	9.27%
S&P 500/Barra Growth ³	10.12%	12.63%	3.65%	11.71%	-4.37%	1.83%	-1.88%
S&P 500/Barra Value ³	7.74%	9.98%	4.17%	8.57%	-10.10%	-0.66%	0.81%
Gold/Silver Stock Index ²	6.44%	11.13%	17.75%	19.95%	6.15%	12.82%	16.30%

Sources: ¹ Wilshire Associates Incorporated (<http://www.wilshire.com>) and Ryan Labs Inc.

² Bloomberg L.P. and Ryan Labs Inc.

³ BARRA, Inc. (<http://www.barra.com>) and Standard & Poors (<http://www.spglobal.com>)

⁴ Frank Russell Company (<http://www.russell.com>)

Commodity Total Returns

	As of 9/30/10			Annualized Ending 9/30/10			
	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
Commodity Total Return Indices							
Reuters/Jefferies CRB ¹	8.63%	11.04%	1.36%	10.75%	-4.05%	-0.56%	3.66%
S&P GSCI ²	8.49%	8.26%	-3.87%	4.23%	-13.30%	-10.22%	1.20%
Dow Jones-UBS index	7.26%	11.61%	0.90%	10.01%	-6.84%	-2.35%	5.19%
Rogers International Commodities ³	6.10%	14.08%	1.99%	17.06%	-6.36%	0.07%	7.76%

Sources: ¹ Reuters/Jefferies CRB (<http://www.jefferies.com>)

² S&P GSCI (<http://www2.standardandpoors.com>)

³ Beeland Management Co., L.L.C.

World Equity Total Returns (in U.S. Dollars)

	in U.S. Dollars						
	As of 9/30/10			Annualized Ending 9/30/10			
	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
Morgan Stanley Capital International Indices							
Country							
Canada	7.82%	13.37%	7.90%	13.49%	-2.36%	7.97%	7.64%
France	14.48%	20.93%	-5.02%	-2.91%	-9.93%	2.43%	2.58%
Germany	13.25%	16.65%	-0.16%	2.01%	-10.22%	5.99%	3.74%
Italy	11.90%	19.96%	-12.09%	-14.34%	-16.80%	-3.85%	1.54%
Japan	4.64%	5.89%	3.09%	0.25%	-9.95%	-2.38%	-1.64%
United Kingdom	8.97%	19.78%	2.59%	9.75%	-9.47%	1.53%	3.02%
United States	9.09%	11.53%	4.00%	10.27%	-6.98%	0.80%	-0.47%
Region							
World Index	9.36%	13.89%	3.01%	7.31%	-7.75%	1.85%	1.29%
EAFE	9.82%	16.53%	1.46%	3.71%	-9.06%	2.45%	2.99%
Emerging Markets (Free)	11.13%	18.16%	11.02%	20.54%	-1.20%	13.08%	13.77%

World Equity Total Returns (in Local Currency)

	in Local Currency						
	As of 9/30/10			Annualized Ending 9/30/10			
	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
Morgan Stanley Capital International Indices							
Country							
Canada	3.73%	9.45%	5.58%	8.47%	-1.31%	5.34%	3.60%
France	6.58%	8.50%	-0.18%	3.95%	-8.70%	-0.08%	-1.80%
Germany	5.43%	4.67%	4.92%	9.22%	-8.99%	3.38%	-0.69%
Italy	4.17%	7.63%	-7.61%	-8.29%	-15.66%	-6.21%	-2.79%
Japan	4.10%	-0.03%	-7.49%	-6.47%	-19.05%	-8.16%	-4.14%
United Kingdom	6.28%	13.72%	5.14%	11.39%	-1.37%	3.90%	2.37%
United States	9.09%	11.53%	4.00%	10.27%	-6.98%	0.80%	-0.47%
Region							
World Index	6.99%	9.40%	1.99%	6.69%	-8.24%	0.33%	-0.31%
EAFE	5.18%	7.15%	-0.37%	2.99%	-10.03%	-0.46%	-0.41%
Emerging Markets (Free)	7.74%	12.88%	8.17%	15.96%	-0.58%	11.96%	13.05%

Sources: Bloomberg and Morgan Stanley Capital International (<http://www.msdata.com/>)

Bianco Research L.L.C.

1731 North Marcey, Suite 510
Chicago IL 60614

Phone: (847) 304-1511

Fax (847) 304-1749

e-mail: research@biancoresearch.com
<http://www.biancoresearch.com>

For more information about the contents/ opinions contained in these reports:

President (847) 756-3599

James A. Bianco jbianco@biancoresearch.com

Strategist/Analyst (847) 304-1511

Howard L. Simons hsimons@biancoresearch.com

Greg Blaha gblaha@biancoresearch.com

Ryan Malo rmalo@biancoresearch.com

For subscription/service Information:

Arbor Research & Trading, Inc.

Director of Sales & Marketing (800) 606-1872

Fritz Handler fritz.handler@arborresearch.com

Arbor Research & Trading, Inc.

1000 Hart Road, Suite 260
Barrington IL 60010

Phone (847) 304-1560 Fax (847) 304-1595

e-mail inforequest@arborresearch.com
<http://www.arborresearch.com>

Domestic - For more information about Arbor Research & Trading and its services:

New York Sales Office

The Chrysler Building, 405 Lexington Ave
New York, NY 10174

Edward T. McElwreath ed.mcelwreath@arborresearch.com

Phone (212) 867-5326 Fax (212) 370-1218

International - For more information about Arbor Research & Trading and its services:

London Sales Office

3rd Floor 4 Broadgate
London England EC2M 2QS
Phone 44-207-100-1051

Neil Tritton neil.tritton@arborresearch.com

Ben Gibson ben.gibson@arborresearch.com

Chicago Sales

James L. Perry james.perry@arborresearch.com

Phone (847) 304-1560 Fax (847) 304-1595

Geneva Sales

Rich Kleinbauer rich.kleinbauer@arborresearch.com

Phone (41) 22 363-9229

Far East Sales

Robert Reynolds robert.reynolds@arborresearch.com

Phone (847) 756-3680 Fax (435) 647-3073