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MARKETS

Stocks Are Sitting Pretty Heading Into Summer

S&P 500 is heading toward its best June since 1955; Dow Jones Industrial Average is on pace for its best June since 1938

By Jessica Menton

June 21, 2019 5:30 am ET

Stocks are on pace for their best June in more than a half-century.

Despite lingering trade tensions and questions over the future of Federal Reserve policy, the S&P 500 has advanced 7.3% so far this month. It is heading toward its best June since 1955, according to Dow Jones Market Data.

The broad index isn't alone. The Dow Jones Industrial Average has climbed 7.8% this month, on pace for its best June since 1938. The S&P 500 notched a fresh record Thursday while the blue-chip index sits 0.3% from its October closing high.

History bodes well for stocks in the spring. The S&P 500 has climbed 4.6% this spring, putting the broad index on pace for its seventh consecutive advance during the season, according to Dow Jones Market Data. Since 1950, the S&P 500 has averaged a gain of 2% in the spring, finishing higher 66% of the time.

To be sure, the latest rise in the stock market has been helped along by so-called safety stocks—such as utilities, consumer staples and real estate—a sign that investors are shifting toward defensive corners of the stock market.

“The missing ingredient to help punch through for a sustained rally: getting the more cyclical areas of the market involved, namely transports, semiconductors, portions of discretionary and the banks—big weights that have been inconsistent,” said Todd Sohn, technical analyst at Strategas Securities.

For stocks to get their next leg up, investors would likely need to see more concrete details on a potential U.S.-China trade deal and a firmer picture from the Fed on the course of interest-rate policy, some analysts said.

Investors could get more clarity soon: President Trump is set to meet with Chinese President Xi Jinping at the G-20 summit next week in Japan. Meanwhile, the Federal Reserve held its

benchmark interest rate steady Wednesday but hinted that officials would cut interest rates in the months ahead if the economic outlook weakens.

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Despite the rosy stock market, investors are holding more cash than they did a month ago, which means there is still some degree of pessimism. They held 5.6% of their portfolios in cash in June, up from 4.6% in each of the past three months, the biggest one-month jump since 2011, according to the latest survey of global fund managers from Bank of America Merrill Lynch.

And major U.S. stock averages could still face some bumps along the way as they enter the summer, as the S&P 500 has posted the lowest average price return during this time period since 1950, according to Dow Jones Market Data. Since

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1950, the broader index has averaged a gain of 1.1% in the summer, tallying gains 67% of the time.

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