

## **“Sell in May and Go Away” is market timing...Better to stay invested**

**May 2019 - Brian McGeough**

**“Sell in May and go away” is an old adage on Wall Street that says that traders are better off selling their positions during the slow summer months (May 1<sup>st</sup>) and buying stocks back in the fall (Nov 1<sup>st</sup>). There are three major considerations to think about here: 1) this is a strategy that active/professional traders sometimes use (they don't worry about tax rules that apply to individuals) 2) Does this strategy work? 3) is this just a nice media soundbite? Ultimately, this is really a market timing strategy.**

**Ultimately the strategy is slightly beneficial if you don't have to concern yourself with capital gains taxes. If you do pay capital gains there is almost no benefit. If one were to try and exercise this strategy the hardest part is trying to determine when to put all your money back into the market.**

**An analysis of returns of the S&P 500 going back to 1990 shows the following results:**

- For the period from May thru October the market has been up 65% of time**
- For the period from May thru October each month has been up over 50% of the time**
- September is the month with the lowest percentage of positive returns at 51% of the time**

**Digging a bit deeper at how sectors perform from May thru October during the same time period, the best sector has been consumer staples (Pepsi, Clorox, etc) - up 81% of the time with an average return of 4.5%. The worst performing sector has been transportations (United Airlines, Norfolk Southern, etc) - up 46% of the time with an average return of (.28%). The data shows that if you stayed invested in the market through the May-October timeframe, your portfolio would have increased in value 65% of the time.**

**The better strategy is to have a strategy! Put together a long-term financial plan and create an investment portfolio the helps you meet your goals. When making changes in your portfolio, don't use a catchy saying to drive your investment actions. Sticking with your plan of holding quality investments and taking appropriate risk will serve you much better in the long term than trying to time the market. No one knows where**

**the market will be in the short term, but over time we have confidence that holding quality securities will be rewarded.**

**At Chatham Wealth Management we have a team that takes a measured, consistent approach to investments. We are constantly looking at the health of the economy and corporate fundamentals which enables us to build portfolios for our clients that are meant to withstand the test of time.**

***Visit our website at [www.chathamwealth.com](http://www.chathamwealth.com) and contact us if you would like us to perform portfolio evaluation.***