MAY 2019

SELL IN MAY AND GO AWAY?

If there is anything that Wall Street isn't short of, it is expressions and superstitions. One of the most well-known investment axioms is "sell in May and go away." This expression is derived from the daunting statistic that of all six month periods during the year, the May to October timeframe is the one with the lowest average return for the Standard and Poor's 500 Index. During all May to October timeperiods from 1950 to present, the Standard and Poor's 500 Index (and its predecessor the S&P 90) had an average return of only 1.5%. Despite the historically lackluster performance of this particular timeframe, the market was higher at the end of the six month period 63.9% of the time.

6-Month Returns For S&P 500 (1950–2018)

6-Month Period	Average Return %	% Higher
Nov–Apr	7.0%	76.8%
Oct–Mar	6.5	69.6
Dec–May	5.6	72.5
Sep–Feb	4.7	68.1
Aug–Jan	4.5	69.6
Jul–Dec	4.4	69.6
Jan–Jun	4.1	68.1
Feb–Jul	4.0	71.0
Mar–Aug	4.0	71.0
June–Nov	2.9	66.7
Apr–Sep	2.5	63.8
May–Oct	1.5	63.9

Source: LPL Research, FactSet 04/26/19

All Indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.

The modern design of the S&P 500 stock index was first launched in 1957. Performance back to 1950 incorporates the performance of predecessor index, the S&P 90.

While the market has bucked the seasonal trend through the majority of this bull market, and risen in six of the last seven May to October stretches, a midyear rally could be more difficult to come by this year. Markets continued their ascent in April with the Standard and Poor's 500 Index rising 3.93%, techs faired even better with the NASDAQ up 4.74%. Year to date, the rally has pressed on with the Standard and Poor's 500 Index and NASDAQ both hitting new all-time highs and returning 17.51% and 22.01%, respectively. While underlying market fundamentals and earnings remain strong, volatility this year has been subdued and markets may just be looking for a reason to take a breather. While we are not making changes to our long term strategic allocations at this time, we are looking for more attractive entry points for new investments.

While we are still not concerned about recessionary fears in the short-term, we are closely monitoring the US-China trade negotiations, the Brexit saga, and for developments in Washington, D.C. On the China front, the Trump administration announced that the trade talks would be resolved "one way or another" by mid-May. While a favorable deal would likely send markets higher, a further delay could trigger volatility.

Last Month's key economic data

Employment

Total employment rose by 196,000 in March after adding only 33,000 (revised) new jobs in February. The unemployment rate remained at 3.8% in March. The number of unemployed persons was also unchanged at 6.2 million. The labor participation rate dropped slightly to 63.0%. Average hourly earnings also increased by $0.04 to $27.70.

FOMC/Interest rates

The Federal Open Market Committee has kept rates unchanged, as expected, citing a lack of inflationary pressures.

GDP

The initial estimate of the first-quarter gross domestic product showed the economy grew at an annualized rate of 3.2%. The GDP expanded at a rate of 2.2% for the fourth quarter of 2018.

Inflation and consumer spending

The *Consumer Price Index* increased 0.4% in March. Over the last 12 months, CPI rose 1.9%. Core prices, which excludes food and energy prices, rose 0.1% for the month and 2.0% year over year.

According to the *Producer Price Index*, the prices companies receive for goods and services rose 0.6% in March. Producer prices have increased 2.5% over the 12 months ended in March.

Housing

Existing home sales fell 4.8% in March after a surge of 11.8% in February. Year over year, existing sales are down 5.4%. The median price for existing homes in March was $259,400, up from $249,500 in February.

Manufacturing

Industrial production edged down 0.1% in March following a 0.1% rise in February.

Imports and exports

The latest information on international trade in goods and services, out April 17, is for February and shows that the trade deficit continues to shrink.

International markets

Canada's GDP fell 0.1% in February putting pressure on the Bank of Canada to keep rates at current levels for what could be an extended period. Chinese business surveys were not as positive as hoped and manufacturing has slowed. In the Eurozone, inflation has been subdued, however Germany's inflation figures of 2.1% in April exceeded the European Central Bank's targets. Brexit negotiations continue….

Consumer confidence

Consumer confidence, as measured by The Conference Board Consumer Confidence Index®, jumped from 124.2 in March to 129.2 in April.

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Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations.