MAY 2021 MARKET COMMENTARY

April was a strong month for the markets and the broad Standard and Poor's 500 Index now sits up just north of 11% for the year. Fixed income has struggled a bit this year with longer term rates having pushed higher due to economic growth and inflation concerns. We continue to be extremely selective in fixed income allocations for clients. At the beginning of the year we advised clients that we expected equity markets to perform well over all this year thanks to vaccinations allowing for the reopening of the economy and the tailwinds of extremely supportive fiscal and monetary policies. We also advised clients that we believed those returns could be "front-loaded" to the beginning of the year as we saw the potential for a more choppy market in the second half of the year as the new Biden administration's agenda became more clear and was digested by the market. After a strong April, and with our expectation of "front-loaded" returns for the year in mind, it begs the question if investors should listen to the old Wall Street adage "Sell in May and Go Away?"

One of Wall Street's favorite 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 time periods from 1950 to present, the Standard and Poor's 500 Index (and its predecessor the S&P 90) had an average return of only 1.7%. Despite the historically lackluster performance of this timeframe, the market was higher at the end of the six-month period 64.8% of the time.

Sell In May? The Next Six Months Are The Weakest

Various S&P 500 Index 6-Month Returns

6-Month Period	Average % Change	% Higher
Nov-Apr	6.8%	77.1%
Oct-Mar	6.4%	69.0%
Dec-May	5.4%	71.4%
Sept-Feb	4.7%	69.0%
July-Dec	4.7%	70.4%
Aug-Jan	4.6%	70.4%
Mar-Aug	4.2%	71.8%
Jan-June	4.2%	68.6%
Feb-July	4.1%	71.8%
June-Nov	3.3%	67.6%
Apr-Sept	2.9%	64.8%
May-Oct	1.7%	64.8%

Source: LPL Research, FactSet 4/28/2021 (1950 - Current)

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 Index was first launched in 1957. Performance before then incorporates the performance of its predecessor index, the S&P 90.

We remind clients that market timing involves being right not once, but twice, and often proves to be a fool's errand. As financial planners, we create financial plans and strategies for clients for the long term. With that said, while there is the chance for a choppier market through the remainder of the year, the economy is strengthening—there is record liquidity in the system, strong GDP growth, and strong personal income and consumption. There's also considerable pent-up demand in certain areas of the market, manufacturing is strong, and earnings are up 51% year on year. For clients who are saving, or have some cash on the side lines, we will try to take advantage of any short-term weakness.

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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).
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