# MAY 2020

The month of April was the best of times, it was also the worst of times, only time will tell if it was the age of wisdom or foolishness. During the month of April, markets shrugged off an onslaught of poor economic data and moved significantly higher. The Standard and Poor's 500 Index pushed 12.7% higher marking the best April for the stock market in 82 years despite advanced estimates showing a 4.8% contraction to the economy and nearly all jobs created since the 2008 recession erased (just over 22 million jobs lost).

As the broad market (Standard and Poor's 500 Index) moved 12.7% higher on the month, it shaved losses for this year to -9.85% and -0.39% for the one-year period. Unfortunately, the strength of the one-month performance was not as "broad based" as we would like with the strong market performance concentrated in a handful of companies (just five of the 500 companies in the index now comprise 20% of the index). International stocks (MSCI EAFE) remain down 18.62% year to date and small caps (Russell 2000) remain down 21.45%.

Wall Street is not short of superstitions or hokey phrases. 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 1.5%. Despite the historically lackluster performance of this timeframe, the market was higher at the end of the six-month period 64.3% of the time.

**Sell In May?**

Various S&P 500 Index 6-Month Returns

| 6-Month Period | Average % Change | % Higher |
|---|---|---|
| Nov-Apr | 7.0% | 78.3% |
| Oct-Mar | 6.2% | 68.6% |
| Dec-May | 5.5% | 72.5% |
| Sept-Feb | 4.7% | 68.6% |
| Aug-Jan | 4.5% | 70.0% |
| July-Dec | 4.5% | 70.0% |
| Jan-June | 4.3% | 69.6% |
| Feb-July | 4.1% | 71.4% |
| Mar-Aug | 4.0% | 71.4% |
| June-Nov | 3.1% | 67.1% |
| Apr-Sept | 2.5% | 64.3% |
| May-Oct | 1.5% | 64.3% |

Source: LPL Research, FactSet 4/28/2020 (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.

So, with a strong market rally in April that is seemingly at odds with economic data, should investors listen to the old adage?

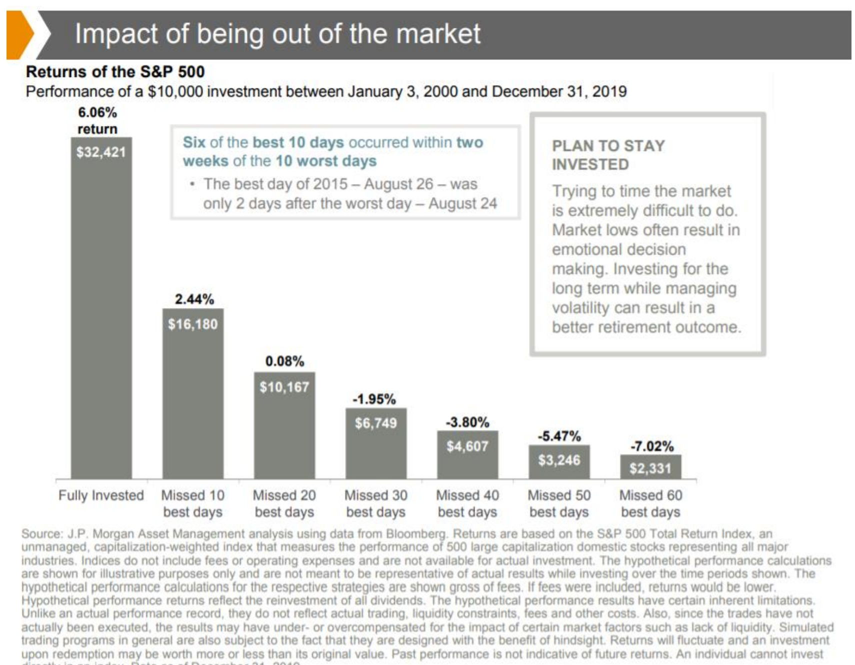
## FOCUSED ON YOUR FINANCIAL INDEPENDENCE

# SELL IN MAY AND GO AWAY?

Stocks are up more than 30% since their March lows. Economic data has been less than appealing, and to be frank, we expect that second quarter economic data will be worse. While markets in the short-term are a voting machine, reacting to headlines and expectations, the markets are also leading indicators. Markets move on expectation of what is to come. An argument can be made that the March lows were the panic and expectations of a first and second quarter contraction and markets will move higher as the economy reopens on expectations of a third (and more likely fourth quarter) recovery. However, after a 30% recovery and still no containment of the novel coronavirus, a pullback may also be warranted in the coming weeks, or months.

In our April Market Commentary, we discussed the forming of a market bottom. We said that while markets had seen ***a bottom***, we are not convinced that we have seen ***the bottom***. While the Fed and Congress have acted swiftly to make sure that monetary and fiscal policy are in place to support the economy, and all indications are that additional assistance through fiscal policy will be coming, we still do not have a meaningful slowing in the number of new cases of coronavirus signaling a containment of the virus—nor do we have meaningfully improved treatment, or a vaccine. Slowly but surely places of public accommodation and the economy will reopen, but fear of a further spread will linger. We believe that investors should brace themselves for volatility in the coming months as markets see potential setbacks. While we counsel clients to not make changes to their financial plans in response to short-term market movements, if volatility has been unsettling it may be an opportune time after this recent rally to reassess your risk tolerance and perhaps make minor adjustments within your portfolio.

While we do recommend minor adjustments after this rally for clients who may be unsettled by volatility, and we anticipate markets will be volatile in the coming months, many may be wondering if this is an opportunity to sell on short-term market performance while trying to opportunistically buy back in at lower prices. This is called market timing. If history teaches us anything, it is that over the long-term the amount of time in the market is a more meaningful indicator of long-term performance than timing the market. Remember, to successfully time the markets, you must consistently be right not once, but twice. The cost of missing out on up days is too great to try benefiting from missing a few down days. As you can see, the best days in the market tend to follow closely after the worst days--and missing those up days have a detrimental impact on long-term returns—had an investor missed the ten best days in this most recent bull market, they would have experienced less than half the annualized return over the ten-year period.




However, for clients who are adding to their portfolios, or who have cash on the side lines, it is times like these that we can try to be selective and make new investments at opportune times. To the extent that clients are making systematic contributions to their portfolios, we urge them to continue to do so, and for those who are long-term investors with cash on the side lines, work with our team to put money to work at opportune times in the coming weeks and months.

As always, if you have any questions, please do not hesitate to contact our team. Be safe, be well, and try to tune out some of the noise.

**Bradley H. Bofford, CLU®, ChFC®, CFP®**
Managing Director, Partner
973-582-1002
bbofford@hightoweradvisors.com

**Michael Flower, CFP®**
Managing Director, Partner
973-582-1004
mflower@hightoweradvisors.com

**Daniel Trout**
Partner
973-582-1006
dtrout@hightoweradvisors.com

**Steven Gelber, AIF®**
Associate Wealth Advisor
973-582-1015
sgelber@hightoweradvisors.com

**Andrew Olivier, CFP®**
Associate Wealth Advisor
973-582-1005
aolivier@hightoweradvisors.com

HIGHTOWER
Financial Principles, LLC

**FINANCIAL PRINCIPLES, LLC**
**A HIGHTOWER WEALTH MANAGEMENT PRACTICE**

**310 PASSAIC AVENUE, SUITE 203, FAIRFIELD, NJ 07004**
**505 FIFTH AVENUE, 4TH FLOOR, NEW YORK, NY 10017**
**973-582-1000**
**WWW.FINANCIALPRINCIPLES.COM**

**FOCUSED ON YOUR FINANCIAL INDEPENDENCE**



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.