

Taking a moment to pause...

What do May and October have in common for stock markets? They are both months when investors tend to adopt a decidedly negative view.

What do May "Sell in May and go away, come back on St. Leger's day" is an adage which refers to the custom of leaving London in the hot months between May and September for the cooler climes of the country.

To the American trader, and I am paraphrasing somewhat, it means "Sell your riskier stocks and take a summer holiday". Whilst this sounds like a dubious attempt to link Wall Street's holiday schedule to stock market performance there is some truth to it when you look at the numbers.

From research done in 2013, Forbes magazine noted the Dow Jones Industrial Average returned 7.5% from November to April and just 0.3% from May to October! Quite a divergence! A serious number of holidays clearly being taken!

Now, since the 1st of May 2013 the S&P has returned 144% in dollar terms so it would seem the tear the S&P 500 has been on has been so rampant it's really not had the time to take a break for six months of the year. Much to investors' delight.

Fast forward to 2019 and with the S&P 500 dropping nearly 5% in first eight trading days of May - could 2019 be the year where the old adage might, once again, ring true?

Well, whilst we here at TAM don't put much stock (excuse the pun) in selling just because its May we do believe 2019's market does call for a moment of pause before we make our next move.

To understand why, let's look at the journey - One can't deny that the last quarter of 2018 was a very painful time to be an investor, in fact it was one of the worst on record with over 80% of all collective investment schemes posting a negative return (first time in history for that much negativity, folks) and to those who hung in there we salute you! Dutifully, markets were then rewarded with one of the strongest first quarter rebounds since the financial crash.

The roots of the rebound revolved around the Federal Reserve doing their usual party trick of an about turn on policy language from "Let's raise rates..." to "Hmm... We're not so sure anymore". Of course, President Trump tweeting threateningly about the Fed's mistake in raising rates possibly helped cement the pivot in language. With the help of some positive rhetoric around the global economy bottoming out from its growth issues and the US China trade deal looking nailed, this gave markets the springboard they needed to meaningfully buy into a significantly discounted equity market - helping to push global markets past the 10% mark at the end of 2019's first quarter.

The root of our belief that now is a good time to take stock of the rally is thus: Markets don't often go through one of the worst three month sell-offs since the financial crisis, rebound into one of the strongest three month recoveries since the same financial crisis - only to then serenely rally straight up for the remainder of the year. Or do they?

This year's gangbusters rally has been welcomed in helping clients recover a significant amount of the gains that 2018's volatility eroded and given this, one could be forgiven and quite possibly vindicated for thinking we are off to the races for the rest of 2019.

However, it seems to TAM at this juncture to be more plausible that markets remain in the throes of high volatility and whilst trudge upwards into year-end may be waiting for another reason to kick down. The recent breakdown in US Sino trade negotiations, Brexit looking like a dead duck and global economic growth numbers staying in the doldrums could well provide enough negative headlines to stall the global rally as investors take profits.

Now, despite this somewhat dour headline, our investment portfolios continue to be invested into what we believe to be the best possible and highest quality equity opportunities across the globe and will remain invested until we feel these have run their course.

However, over the shorter term we feel it's prudent to give ourselves a moment of pause and evaluate if

a more circumspect approach to markets might be prudent for the next chapter of 2019.

So whether you "sell in May and go away" or not, you can be reassured that your TAM portfolio will remain invested and actively managed throughout the summer season.

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