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FINANCIAL ADVISORS

Sell in May and Go Away Was A Bad Idea in 2018

If you sold out of the market last summer, you missed a 10% increase

"Sell in May and go away" is an old Wall Street saying that suggests investors to sell their stocks during the summer to avoid a seasonal decline in the stock market. An investor selling their stocks in May would then buy stocks again at the end of the summer (some suggest November) because the summer time-period shows significantly less growth in the market than the other times of the year. Or so the story goes.

The History

Where did this "Sell in May and go away" advice originate? Not on Wall Street, but rather in London's financial district. The original saying, "Sell in May and go away, come back on St. Leger's Day" refers to a horse race. That's right, a horse race.

The St. Leger Stakes is one of England's greatest horse race and is run in late September. London traders would sell their shares, enjoy their summer, and return to the market after the St. Leger race.

But This Time It's Different

What happened in 2018? Well, if you sold in May this time last year with the thought of returning to the market after Labor Day, you missed a lot. Let's look at the performance of the S&P 500 for different time periods in 2018:

- If you were invested in the S&P 500 from January 1, 2018 through August 31, 2018, you would have enjoyed a healthy return of 8.52%
- If you were invested from January 1st through May 1st only, your S&P 500 return was -0.70%
- If you were invested from May 1st to August 31st only, your S&P 500 return was 9.57%

But Wasn't 2017 Different?

One of the most dangerous phrases in all of investing is: "this time it's different." In fact, if you are discussing investments, the markets, or anything financial related and someone says this, don't walk away, run. Look at how this "Sell in May and Go Away" idea worked in 2017:

- If you were invested in the S&P 500 from January 1, 2017 through August 31, 2017, you would have enjoyed a healthy return of 10.4%
- If you were invested from January 1, 2017 through May 1, 2017 only, your S&P 500 return was 6.68%
- If you were invested from May 1st to August 31st only, your S&P 500 return was 3.67%

Working with Your Financial Advisor

The key to successful long-term investing, of course, lies in following wise strategies. Your financial advisor understands these strategies. It is generally best not to rely on horse race legends that are not explained by actual market trends or economic analysis.

Instead, focus on the traditional, sensible factors that include assessment of the business cycles, changing economic conditions, and news from the market.

Your financial advisor is the best source for information about how to handle your money. He or she can guide you in planning for the future.