HAAS Fydroski Financial Services, Inc.

Investments - Planning - Education

IPE Insights

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Jim's Journal

Publishing Note: This article was first written and published in the May 2015 newsletter. "Sell in May and Go Away" is one of Wall Street's most popular clichés. Since many new readers have been added to the newsletter list in the last two years and I continue to be asked about the phrase, I decided to republish the original article. There has been very little change in the original article's statistics over the last two years.

"Sell in May and go away," However, no one ever said it was the beginning of the month. – John J. Person (CTA, professional trader, author, speaker, 6/19/2000, b. 1961)

Sell in May and Go Away? Because of the huge influence the stock market exerts on our net worth and especially our retirement plans, you can find many sayings and quotes related to its operation. The reality is that some of the sayings and quotes make sense, others do not and probably none are ever valid all of the time. That being said, many of the adages do provide gems of wisdom in the off-times complex world of investing. One frequently heard phrase around this time of the year is the old adage, "Sell in May and Go Away".

Also known as the "Halloween Indicator", the phrase "Sell in May and Go Away" refers to a seasonal investment strategy that includes the period from November to April. This six month period typically produces better stock market returns than the six month period from May to October. The data to support this adage will be presented later in the article but the saying appears to generally be true. First, a little history.

The saying originated in England (over a century ago) and its longer version was "Sell in May and go away, do not return until St. Leger's Day". The St. Leger Stakes is a horse race in Great Britain open to three-year-old thoroughbred colts and fillies. It is run at Doncaster Race-course in South Yorkshire, England during the month of September. In England, May is the start of summer so stock brokers and investors would often leave for vacation and not return home until September. Consequently, the stock trading was typically flat from May until September since both the moneyed gentry and the brokers did not go back to work until the end of the racing season culminating at St. Leger. In the U.S., the "sell in May" strategy was referenced as early as 1935 in an article in the *Financial Times*. In these bygone eras, there may have been legitimate reasons for the evolution of the adage, but is it still valid today in our globalized and computerized trading environ-ment? Let's examine the data.

A huge proponent of the November to April seasonal trading strategy is the Stock Trader's Almanac. The Almanac states that investing in the Dow Jones Industrial Average (DOW) between November 1st and April 30th each year is a strategy that has consistently produced reliable returns since 1950 with reduced risk. In the alternate six month period between May 1 and October 31, the DOW is sold and switched into fixed income investments. Although February is not one of the stronger months, according to the Almanac, the November-April period has produced an average yearly return of 7.3% during this six month period since 1950. In contrast, the May-October period has only produced a 0.4% yearly return. The 6.9% difference between the two periods is a real eye opener. The S&P 500 shows similar results.

The Stock Trader's Almanac offers a further enhancement to this "Best Six Months" strategy by pinpointing entry dates in November and exit dates in May. The Almanac claims that results can almost be tripled by using this additional timing methodology. The quote at the top of the page would seem to add credence that May 1 and November 1 are not the only dates to enter and exit.

Ok, so if this strategy is so great, why don't we just use it all of the time and forget about everything else? Well, first of all, there is no strategy that works all of the time in the stock market. If there was, Warren Buffett would probably own it. The results are averages and averages can have wide deviations. I am reminded of a story I once heard that if you put one hand on a hot stove and the other hand in an ice bucket, the two should produce an average temperature for you. We all know that would only produce extreme discomfort. If an investor started with this strategy and had a bad year or two at the beginning, would they stick with it? If the stock market happened to be going up in the May to October time period when they were in fixed income, would they stick with it? Probably not. This strategy could work well for younger investors who have decades to let the averages revert to the mean. However, the typical retiree does not have those decades to wait; they must take Required Minimum Distributions as well as withdrawals for living expenses. Managing market downturns and risk are much more critical for retirees than for younger investors.

I do think there is a lot of merit to the "Sell in May and Go Away" strategy, especially if the additional timing enhancements are used. Profitable opportunities also exist in the stock market during the May-October time period but risks are higher and the returns are usually lower. In my opinion, this strategy is a good starting point but further refinements are necessary for its everyday use.

In a few days the unofficial start to summer will begin with the three day Memorial weekend. It is a great time to have an extra day for family, friends and fun; however, let us take a few moments to remember the brave men and women who have made the sacrifices for the freedoms we enjoy. Take good care and enjoy the summer as it unfolds.

In conjunction with HOUR Detroit and DBusiness magazines, Five Star Professional has recognized James Fydroski with a 2017 Wealth Manager award. Full disclosure and additional information about the program is available at - http://winnerreprints.fivestarprofessional.com/five-staraward-winner-james-fydroski-2017/0325961001493646880

Haas Financial Services Inc. Receives 2017 Best of Southfield Award

Southfield Award Program
Honors the Achievement

SOUTHFIELD May 16, 2017 -- Haas Financial Services Inc. has been selected for the 2017 Best of Southfield Award in the Registered Investment Advisor category by the Southfield Award Program.

Each year, the Southfield Award Program identifies companies that we believe have achieved exceptional marketing success in their local community and business category. These are local companies that enhance the positive image of small business through service to their customers and our community. These exceptional companies help make the Southfield area a great place to live, work and play.

Various sources of information were gathered and analyzed to choose the winners in each category. The 2017 Southfield Award Program focuses on quality, not quantity. Winners are determined based on the information gathered both internally by the Southfield Award Program and data provided by third parties.

About Southfield Award Program

The Southfield Award Program is an annual awards program honoring the achievements and accomplishments of local businesses throughout the Southfield area. Recognition is given to those companies that have shown the ability to use their best practices and implemented programs to generate competitive advantages and long-term value.

The Southfield Award Program was established to recognize the best of local businesses in our community. Our organization works exclusively with local business owners, trade groups, professional associations and other business advertising and marketing groups. Our mission is to recognize the small business community's contributions to the U.S. economy.

"It is a great professional honor to be recognized as a business and as an individual in the local community. A very special "Thank You" to the many clients I have been privileged to serve over the last 22 years."

ADVISORY SERVICES OFFERED THROUGH HAAS FINANCIAL SERVICES, INC.

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