

# GO AWAY IN MAY?

Luciano Siracusano – Chief Investment Strategist  
05/04/2016

Don't fight the [Fed](#). The trend is your friend. The market climbs a wall of worry. Sell in May and go away. We've all heard these pithy market adages before, but is there an element of truth behind them? Given that May has arrived, let's examine the wisdom of selling in May. We've heard many times that if an investor had been out of the market on the best five to 10 days in the last 40 years, that person would have radically underperformed the market as a whole. But what if the investor had been out of the market for roughly *half* the trading days for each and every year all the way back to 1979? How would that investor have done—particularly if that person had sold his or her equity position each April 30 and did not invest in the U.S. stock market again until six months later, on November 1? How would that investor have done compared to being invested in the [S&P 500 Index](#)? Or compared to a balanced portfolio that rebalanced at the end of each year, so that it was 50% equity and 50% fixed income each and every year? WisdomTree recently ran some tests to see. We created two simulated “go away” strategies: one that measures the returns of the S&P 500 Index from November 1 to April 30 of each year and then measures the returns of the [Barclays U.S. Aggregate Index](#) from May 1 to October 31 (Go Away in May); and a second strategy (Go Away in November) that assumes an investor owned equities from May 1 to October 31, and then owned the Barclays U.S. Aggregate from November 1 to April 30. In addition to those two strategies, we created a portfolio that blended 50% stocks and 50% bonds as a baseline to show how a balanced portfolio that rebalances at year-end would have performed over the same

Strategy	January 1, 1979 - March 31, 2016 Average Annual Total Returns						
	YTD	1 Year	5 Years	10 Years	20 Years	30 Years	Analysis Period
Go Away In May	1.35%	0.91%	10.21%	8.33%	10.22%	11.89%	12.98%
Go Away In November	3.03%	2.84%	5.07%	3.61%	3.44%	4.73%	6.56%
50/50 Portfolio	2.19%	1.88%	7.90%	6.50%	7.31%	8.65%	10.10%
S&P 500	1.35%	1.78%	11.58%	7.01%	7.98%	9.94%	11.67%

Sources: Zephyr StyleADVISOR, Bloomberg, as of 4/6/16. Past performance is not indicative of future results. You cannot invest directly in an index.

period.

As the table above shows, a strategy that shifted from stocks to bonds in May and then rotated again into equities in November would have generated an annualized return from 1979 to 2016 of 12.98%, versus 6.56% if the investor had done the reverse and “gone away in November.” That annualized return of nearly 13% would have outpaced the S&P 500 by more than 130 [basis points \(bps\)](#) per year with a 30% reduction in annualized [volatility](#). The same strategy beat an all-year-round 50/50 allocation to stocks and bonds by 288 basis points on an annualized basis. Interestingly, from January 1, 1979, through December 31, 1999, the 17.9% annualized total return the S&P 500 Index generated was only slightly better than the 17.6% the Go Away in May strategy generated. Moreover, the Go Away in May strategy was able to generate 98% of the S&P 500's return with just 71% of the equity market's volatility over that period. Thereafter, that relationship changed. From January 1, 2000, through March 31, 2016, the Go Away in May strategy returned 7.27% on an annualized basis, outperforming the S&P 500 Index by 319 basis points per year, with a similar reduction in market volatility.<sup>1</sup> **Sector Returns, “Going Away in May”** What happens at the sector level when an investor goes away in May? Interestingly, the same pattern emerged. The sectors of the S&P 500 generated higher average returns in the November through April period than they did from May through October, back to 1989, the

Longest period for which we had comparable data. Displayed below is the average six-month cumulative return for each of the 10 sectors of the S&P 500 and the S&P 500 Index over those different six-month periods. **Average 6-Month Cumulative Total Returns, S&P 500 Index and S&P 500 Sectors, November 1, 1989 – October 31, 2015**

	May - Oct	Nov - April	Nov - April Excess Return
<b>S&amp;P 500 Index</b>	<b>2.58%</b>	<b>7.82%</b>	<b>5.24%</b>
Materials	-1.22%	10.55%	11.76%
Discretionary	0.95%	10.87%	9.91%
Industrials	0.84%	10.25%	9.41%
Energy	2.26%	9.05%	6.80%
Financials	2.48%	8.21%	5.73%
Info Tech	3.92%	9.17%	5.25%
Telecom	2.77%	4.57%	1.80%
Utilities	3.93%	5.30%	1.37%
Health Care	5.95%	6.90%	0.95%
Staples	5.86%	5.95%	0.09%

Source: Zephyr StyleADVISOR, as of 4/19/16. Past performance is not indicative of future results. You cannot invest directly in an index.

Over the last quarter century, the S&P 500 Index average return from November through April has been more than 5 percentage points higher than its average return from May through October. Interestingly, the sectors that held up best on a relative basis during the May through October period were the four defensive sectors of the market: Consumer Staples, Health Care, Utilities and Telecom. It is outside the scope of this blog post to explain the reasons that may account for why U.S. stocks have underperformed from May through October. For now, let us simply digest that it has happened and that it has persisted in the current investment landscape, through two [bear markets](#) and two [bull markets](#), with robust resiliency, back to 2000. **Conclusion** One of the most interesting aspects of “Go Away in May” is the evidence that it continues to exist, despite a vernacular awareness of its existence. Net-net: Given the market’s current heightened valuation and current dependence on the direction of oil prices, the reality that we are entering a seasonally and historically subpar period for the market should give investors an additional reason to proceed with caution in the months ahead. <sup>1</sup>Returns specified in this paragraph are from Zephyr StyleADVISOR and Bloomberg, as of 4/6/16.

**Important Risks Related to this Article**

One of the most interesting aspects of “Go Away in May” is the evidence that it continues to exist, despite a vernacular awareness of its existence. Net-net: Given the market’s current heightened valuation and current dependence on the direction of oil prices, the reality that we are entering a seasonally and historically subpar period for the market should give investors an additional reason to proceed with caution in the months ahead.

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

For more investing insights, check out our [Economic & Market Outlook](#)

View the online version of this article [here](#).

**IMPORTANT INFORMATION**

**U.S. investors only:** Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages ([www.msci.com](http://www.msci.com))

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Jianing Wu, and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only. You cannot invest directly in an index.

DEFINITIONS

**Federal Reserve**: The Federal Reserve System is the central banking system of the United States.

**S&P 500 Index**: Market capitalization-weighted benchmark of 500 stocks selected by the Standard and Poor's Index Committee designed to represent the performance of the leading industries in the United States economy.

**Barclays U.S. Aggregate Bond Index, 1-3 Year**: This index is the 1-3 Yr component of the U.S. Aggregate index.

**Basis point**: 1/100th of 1 percent.

**volatility**: A measure of the dispersion of actual returns around a particular average level.&nbsp;

**Bear market**: A sustained downturn in market prices, increasing the chances of negative portfolio returns.

**Bullish**: a position that benefits when asset prices rise.