

Sell in May and Go Away

eResearch Corporation is pleased to provide an article by Keith Richards of **VALUETREND**.

In this article, Mr. Richards discusses the level of investment by the retail investor as a group and cautions that you should "do as they say, not as they do".

The article is reproduced below, beginning on the next page, or you can go directly to it at the following link: <http://www.valuetrend.ca/sell-may-go-away/>

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Sell in May and Go Away

By: Keith Richards (bio at end)

Brooke Thackray put out an interesting report (click [here](#)) on the health of the stock market. It is worth reading. His basic premise is that, this year, there is an even greater potential for a weak summer (i.e. the "worst six months").

Today, I have posted a chart (on the next page), courtesy of www.stockcharts.com, for the DJIA's monthly seasonal patterns since 2000 (tech bubble). As you will note, May can be one of the weaker months, with only about half of all of the May months being positive (56% of Mays since 2000).

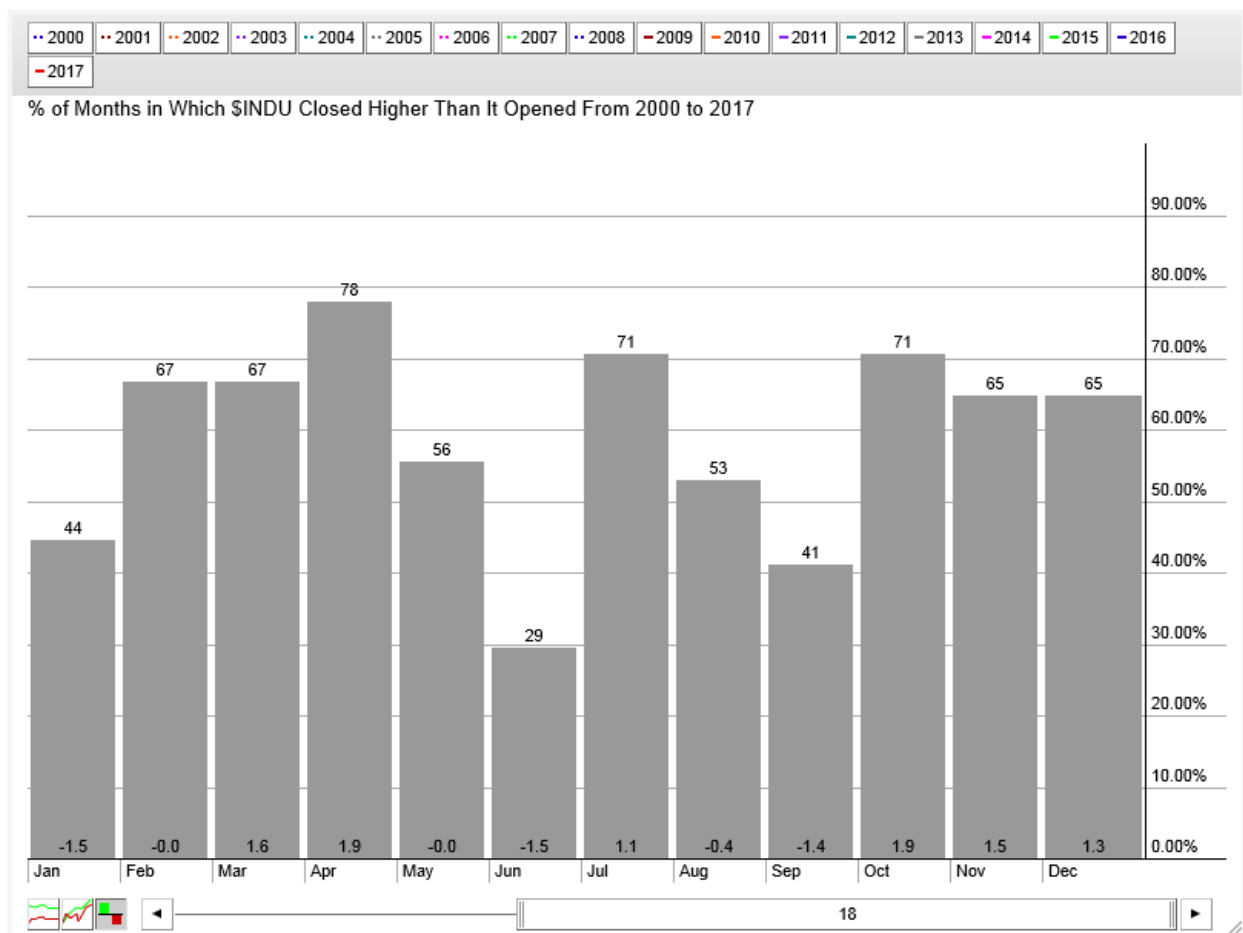
June is the more concerning month, given its performance since 2000. Only 29% of all June months have been positive since that year – which puts it ahead of September for the "Most likely month to fail" award.

It is probably worth noting that, despite the greater number of June failures, those poor performing Junes are, on average, not as bad as the poor performing Septembers.

So it is an arithmetic (i.e. the average number of poor months) problem that June faces, not a geometric (i.e. the extent of the pullbacks, if one occurs) problem.

September tends to contain some of the bigger market meltdowns on a percentage basis – despite having less of them.

Seasonality Chart of \$INDU



Thackray's 2017 Guide tells us that, since 1950, the average return for June has been 0.0% to 2016. Meanwhile, the average September's return was -0.5% since 1950.

Mathematically-inclined readers will see that September's bigger pull-backs offset the fact that there are less of them than in June. Whatever the case, this study suggests a greater probability of weakness in June – even if it is typically not an aggressive pull-back.

We are up to 28% cash in the ValueTrend Equity Platform at this time. I would expect to be selling more equities in the coming days and weeks.

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See **About The Author** below.

ABOUT THE AUTHOR



ValueTrend Founder and Owner, Keith Richards, has been in the securities industry since 1990. ValueTrend manages over \$100 million through a discretionary investment service for high-net-worth clients.

Keith Richards has been in the securities industry since 1990 and is a highly regarded member of the small, exclusive community of Chartered Market Technicians in Canada. Mr. Richard's articles appear regularly in INVESTORS DIGEST, MONEYLETTER, GLOBE AND MAIL, and the TORONTO STAR newspapers.

His appearances on BNN Television have inspired producers to acknowledge him as **“one of [our] most accurate technical analysts.”** Mr. Richard's first book, SMARTBOUNCE: 3 ACTION STEPS TO PORTFOLIO RECOVERY, is available in bookstores and directly through his blog page www.valuetrend.ca/blog/. His second book, SIDEWAYS: USING THE POWER OF TECHNICAL ANALYSIS TO PROFIT IN UNCERTAIN TIMES was released in late 2011. He has been critical of the commission-based, follow-the-pack approach to investing – where brokers succeed regardless of performance.

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