BRENTON POINT
WEALTH ADVISORS

April 23, 2024

Investing Environment Review and Outlook – Volume 82

- Sell in May: It's True
- Philadelphia Fed Survey: Outlook Strongest since 2021
- Industrial Commodities uptick to a 5/Gold downtick to a 4

Last month we discussed signs of a stronger economy like industrial commodities higher, valuations up, and the bullish pattern of November to February months all higher. Since then, we have seen further commodity and rates volatility, and this month the biggest decline in the S&P 500 in 5 months. This month we discuss the seasonality change in May for U.S. equities and the Philadelphia Fed Manufacturing Survey showing a stronger economy. U.S. equities, foreign-developed and emerging markets equities remain bullish 5 ratings. We raised industrial commodities to a bullish 5 rating this month on the strength of the economy. We also cut the gold rating to a still bullish 4. After prior moves to the upside like this, consolidation was most likely going forward rather than further big gains. Long-term bonds remain a max bearish 1 rating.

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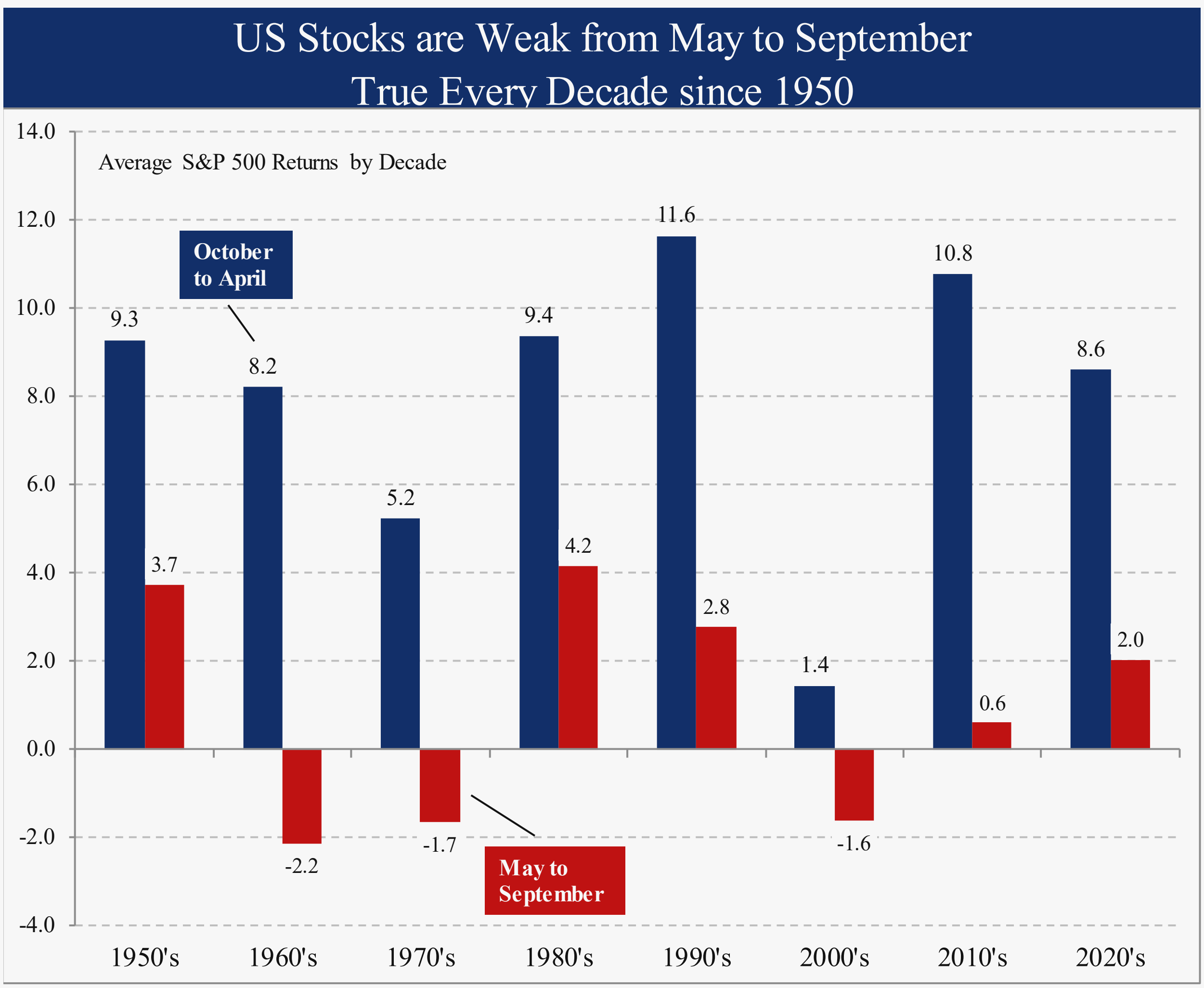
Sell in May: It's True

Since 1950, the S&P 500 returned just 0.9% on average from May to September compared to 8.0% for the October to April period, just ending. Usually once widely know, a pattern like this will weaken as investors take advantage of it. The persistence of this one is very unusual, with a divergence between these periods in every decade since 1950, and no sign of weakening. While it does not occur every year, the May period is weaker 79% of the time. Some of the biggest exceptions were 2009 (-25.2% in October to April and 21.1% in May to September) and 2020 (-2.2% and 15.5%).



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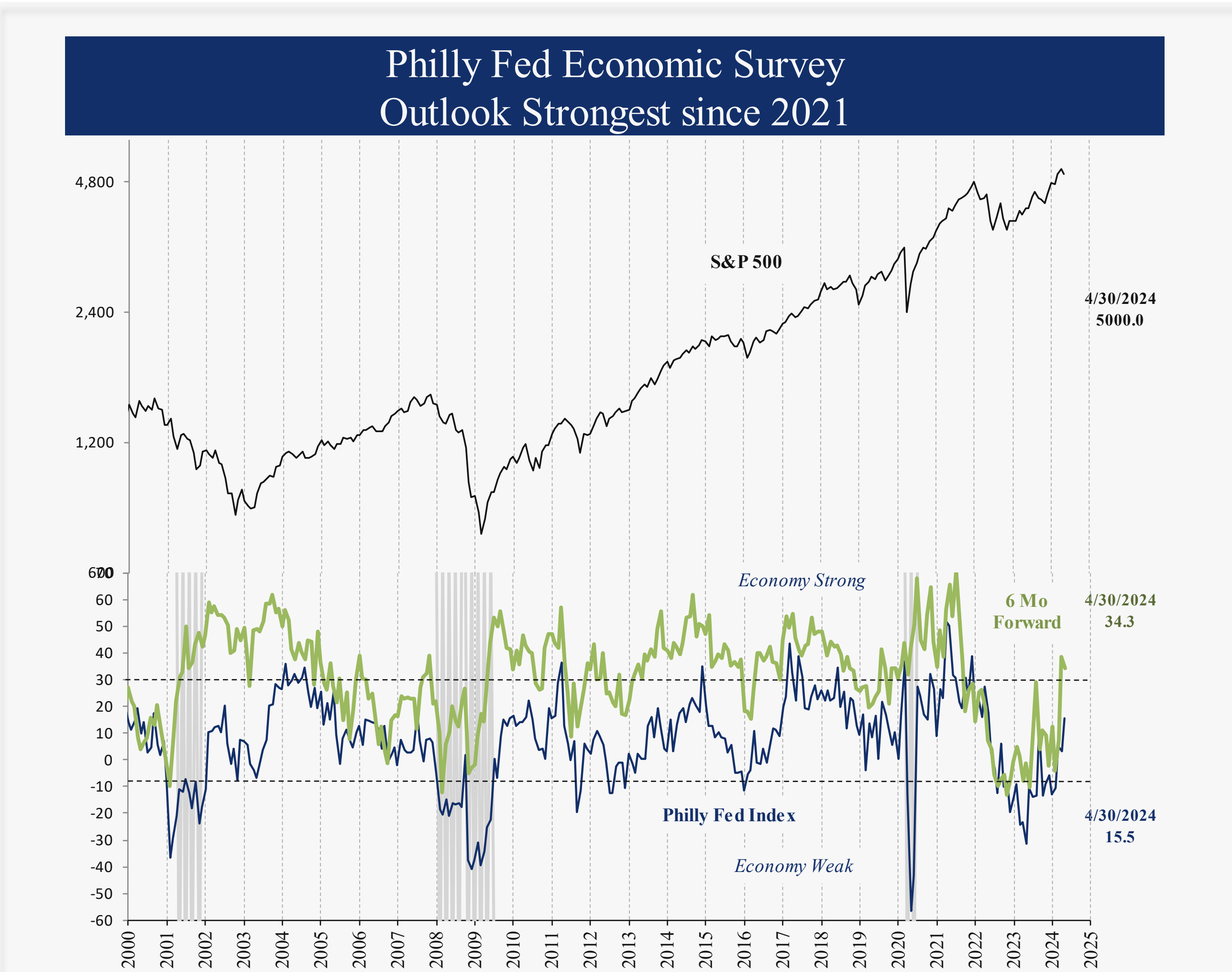
Philadelphia Fed Survey: Outlook Strongest since 2021

The Philadelphia Fed Manufacturing Survey is volatile, but gives an early read on the current month's economic activity. The April release was strong at 15, up from -31 a year ago. The outlook was even stronger at 34, the highest since 2021. A similar spike in June last year reversed lower, but these stronger readings confirm the economy is improving in line with our strong economic outlook indicators.



Summary

This month we discussed changes in the commodities and gold ratings. We also saw further improvement in economic indicators like the Philly Fed and significant change ahead in U.S. equity seasonality from May to September. The excessive investor positioning we noted last month receded with the recent S&P 500 5% decline. Valuation remains a concern, but for now conditions for equities and commodities remain positive. We will continue to watch our indicators on a daily basis and shift exposures as needed. Thank you for your support and please contact us with any questions.

Michael Schaus
Director of Market Research