ASK THE **ADVISERS**

The views and opinions expressed in “Ask the Advisers” are solely those of Keith Singer.

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A ROUGH PATCH AHEAD?

Historically, May to November tends to be a tough time for stock investors. This year we are doubly cursed because May marks six months before the midterm elections. According to the Stock Trader’s Almanac, during the first term of democratic presidents, the six months prior midterm elections have been extremely rough.

Since 1926 the S&P 500 has averaged just 2.2% in the six months starting the May of the second year of a presidency according to Barrons. However all is not lost as the following six-month period, starting in November, have been the best time for stocks, averaging a 13.9% return. Small cap stocks have done even better during this period, averaging 19.2%.

The theory is the powers that be are trying to create optimal economic conditions for the election year even if it causes some short-term pain (perhaps like we are doing this year by ending quantitative easing) so the economy is in top condition during the election year.

It is not surprising that bonds perform well during the May to November period as they have historically done when the markets are down. However, with current interest rates rising, bonds did poorly in the first quarter even though stocks were down.

Therefore, if you are sitting on the sidelines with cash you may want to, at a minimum, dollar cost average into the market until November gets here. Alternatively, there are a plethora of extremely attractive alternative investments, that are not publicly traded and therefore they do not have the same volatility as typical stock funds or ETF’s.

If private equity is part of your equity portfolio and private credit is part of your bond portfolio and you have exposure to private real estate as well as some assets allocated to principal protected strategies, you will find that on days when the stock market it down heavily, your overall portfolio will likely be down only a small fraction of the total market drawdowns. The key is to make sure that you are getting the right advice as well as getting access to the best strategies.

Source: Barrons