



Economic Situation and Strategy

24 May 2024

Sell in May and go away? Better not!

May is often referred to as the merry month. Longer days, better weather, public holidays and bank holidays make it the most beautiful month of the year for many. On the stock market, however, May enjoys a dubious reputation. The well-known stock market saying "Sell in May and go away" shows that many investors are looking for the simplest possible patterns in order to better understand the complex relationships on the stock market and use them for their own investment decisions. But how relevant and practical is this saying today?

Simple rules rarely lead to success on the stock market

The saying "Sell in May and go away" goes back to the observation that stock markets tend to perform worse in the summer months. The idea is that investors sell their equity holdings in May and get out of the market by the fall, i.e. by the end of September or early October. This strategy is based on historical price movements, which show that returns are often lower in the summer months than in the other months of the year. A look at the performance of the international equity markets shows that in most of these markets, returns were significantly higher between November and April than between May and October. This seasonal anomaly was observed in many regions of the world, particularly in Europe. There are various theories to explain this pattern, e.g. lower trading activity in the summer months or profit-taking after a good start to the year. However, neither the seasonal patterns nor the theories to explain them are really convincing. In the following table, we have shown the loss probabilities and the average performance of the DAX and S&P 500

Index for the period from January 1980 to December 2023:

Probability of loss and average performance in the respective month (period: 1980-2023)

	DAX	S&P	DAX	S&P
January	43%	41%	0,4%	1,0%
February	45%	41%	0,9%	0,1%
March	41%	36%	1,1%	0,9%
April	25%	27%	2,6%	1,7%
May	42%	30%	0,4%	0,9%
June	44%	40%	0,7%	0,3%
July	37%	47%	1,3%	1,3%
August	51%	42%	-1,2%	0,1%
September	59%	55%	-1,7%	-1,0%
October	32%	36%	1,5%	1,3%
November	34%	27%	2,0%	2,0%
December	30%	27%	2,1%	1,3%

Source: Refinitiv Datastream

It is immediately apparent that May itself has not been a bad month for the stock market in the last 44 years. On the contrary: for the S&P 500, May is actually the fourth best month of the year with an average loss probability of just 30 percent; only in April, November and December were there fewer losses on a monthly basis in the period under review. For the DAX, on the other hand, May is one of the weaker months, but the probability of loss is hardly higher than in other months. If we divide the period under review into four decade blocks, it becomes even clearer that the saying "Sell in May" is not very promising. Between 1990 and 1999, May was one of the best investment months for the DAX, while only December was slightly better than May for the S&P. The "Sell in May" strategy is therefore definitely no guarantee of success. The financial markets have become more complex and globalized in recent decades. Modern trading technologies and access to real-time information have meant that seasonal effects are less pronounced than they used to be. In addition, the expansive monetary policy of

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central banks since the 2008 financial crisis has contributed to the fact that historical patterns are no longer reliable. If you still want to try your luck with seasonal patterns, you could bet on a weak price trend in August and September. However, it should be noted that transaction costs and taxes can reduce potential profits if you enter and exit the market frequently. In this respect, you should think carefully about whether you really want to turn your back on the stock market for two months, especially as an exit at the high and a re-entry at the low is almost never successful. Long-term investors with a buy-and-hold strategy might therefore be better off simply ignoring market distortions and short-term fluctuations.

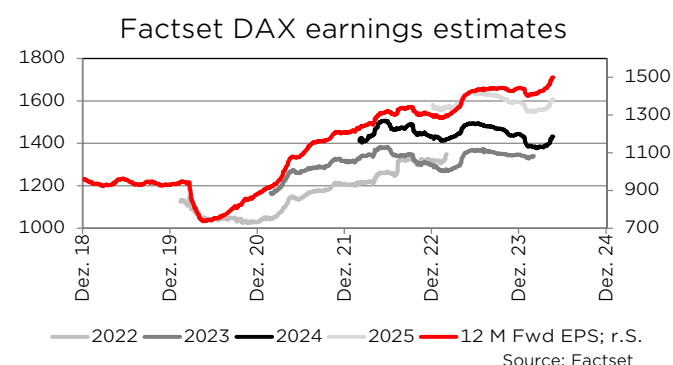
Environment for equities remains positive: DAX 30,000 possible by the end of 2030

May 2024 has been a very good month for equities so far. Most indices have gained between three and seven percent, more than offsetting the price losses from April. The reason for this is the positive environment. The reporting season for the first quarter showed that most companies generated better than expected profits. This applies to both the USA (S&P 500: 82 percent positive surprises) and Europe (DAX: 60 percent, Euro Stoxx 50: 79 percent, Stoxx 50: 82 percent). The major US technology companies in particular have once again proved to be real money-printing machines. Nvidia was the last major US technology company to present its figures on Wednesday evening, and although expectations were very high, the company once again clearly exceeded them. The good figures were not always honored immediately, with Netflix's share price plummeting by more than nine percent immediately after the Q1 results were published despite exceeding expectations. However, this gap has since been closed and the share price has reached a new record high. It shows that patience is essential on the stock market and almost always pays off.

US companies in particular are using the higher profits to accelerate the buyback of their own shares. In the first quarter alone, S&P 500 companies bought back more than USD 180 billion worth of their own shares. This figure is expected to rise to over USD 900 billion by the end of the year, with a buyback volume of around USD 1.1

trillion expected for 2025. This would mean annual growth of around 15 percent. The "buyback kings" are undoubtedly the major technology companies, above all Apple, which announced a record share buyback program of USD 110 billion when it presented its quarterly figures. Investors can draw a simple conclusion from this: If those who know their company best buy its shares, why shouldn't you do the same?

The outlook for the DAX also remains good. The reporting season has been so positive that corporate analysts have revised their earnings expectations for 2024, which have been revised downwards almost continuously since last summer, upwards again. They are now forecasting profit growth of seven percent this year, followed by a further increase of a good ten percent next year. Despite the good share price performance this year, the DAX is still quite cheaply valued with a P/E ratio of 12.5, meaning that our recently raised year-end target of 19,500 points could soon be reached. What could happen after that? Assuming that the economy recovers somewhat, the inflation rate declines and interest rates fall slightly, the DAX could rise to over 22,000 points by the end of 2025. If there are no major crises, the index could even rise to around 30,000 points by 2030. For the S&P 500, this would mean analogous price targets of 6,200 points by the end of 2025 and just under 10,000 points by 2030. In other words: Stay invested!



Carsten Klude

Market data

	As of 24.05.2024 08:15	Change versus				
		17.05.2024 -1 week	23.04.2024 -1 month	23.02.2024 -3 months	23.05.2023 -1 year	29.12.2023 YTD
Stock markets						
Dow Jones	39065	-2,3%	1,5%	-0,2%	18,2%	3,7%
S&P 500	5291	-0,2%	4,3%	4,0%	27,6%	10,9%
Nasdaq	16736	0,3%	6,6%	4,6%	33,2%	11,5%
DAX	18691	-0,1%	3,1%	7,3%	15,7%	11,6%
MDAX	27194	-0,9%	2,1%	4,6%	-0,7%	0,2%
TecDAX	3450	0,5%	5,0%	1,6%	5,7%	3,4%
EuroStoxx 50	5038	-0,5%	0,6%	3,4%	16,0%	11,4%
Stoxx 50	4511	-0,2%	2,2%	4,7%	11,6%	10,2%
SMI (Swiss Market Index)	11967	-0,6%	4,3%	4,1%	4,2%	7,4%
Nikkei 225	39103	0,8%	4,1%	0,0%	26,3%	16,9%
Brasilien BOVESPA	124729	-2,7%	-0,3%	-3,6%	13,5%	-7,0%
Russland RTS	1205	-0,6%	3,6%	13,2%	16,1%	11,2%
Indien BSE 30	75414	2,0%	2,3%	3,1%	21,7%	4,4%
China CSI 300	3618	-1,6%	3,2%	3,7%	-7,5%	5,5%
MSCI Welt	3446	-0,8%	3,7%	3,4%	22,4%	8,7%
MSCI Emerging Markets	1091	-0,8%	7,1%	6,1%	11,5%	6,6%
Bond markets						
Bund-Future	129,74	-108	-133	-343	-413	-748
Bobl-Future	116,14	-55	-92	-35	-103	-314
Schatz-Future	104,97	-19	-39	-28	-47	-158
3 Monats Euribor	3,82	-8	-9	-9	40	-6
3M Euribor Future, Dec 2024	3,39	9	19	44	35	109
3 Monats \$ Libor	5,59	1	1	0	20	0
Fed Funds Future, Dec 2024	5,05	7	10	45	170	122
10 year US Treasuries	4,47	4	-13	20	75	60
10 year Bunds	2,59	9	10	25	12	59
10 year JGB	1,01	7	15	30	61	39
10 year Swiss Government	0,83	8	9	2	-20	13
US Treas 10Y Performance	581,34	-0,4%	1,3%	-0,8%	-2,5%	-3,3%
Bund 10Y Performance	545,34	-0,6%	-0,5%	-1,3%	1,6%	-3,5%
REX Performance Index	439,62	-0,4%	-0,2%	0,0%	1,3%	-1,8%
IBOXX AA, €	3,53	10	11	15	-16	46
IBOXX BBB, €	4,08	9	9	12	-57	33
ML US High Yield	8,08	8	-13	12	-66	29
Commodities						
MGBase Metal Index	459,03	-0,5%	5,7%	20,4%	22,3%	17,4%
Crude oil Brent	81,34	-2,8%	-7,3%	-1,3%	5,8%	4,7%
Gold	2338,74	-2,9%	0,8%	15,0%	18,9%	13,2%
Silver	30,46	-0,6%	11,7%	32,8%	30,0%	25,6%
Aluminium	2571,55	0,4%	-0,8%	20,3%	16,8%	9,6%
Copper	10318,41	-2,6%	7,5%	21,8%	28,4%	21,9%
Iron ore	117,53	0,4%	8,1%	-7,3%	10,3%	-13,8%
Freight rates Baltic Dry Index	1796	-2,6%	-0,4%	-3,8%	33,2%	-14,2%
Currencies						
EUR/ USD	1,0811	-0,3%	1,3%	-0,2%	0,3%	-2,2%
EUR/ GBP	0,8514	-0,6%	-1,1%	-0,2%	-1,9%	-1,7%
EUR/ JPY	169,72	0,4%	2,7%	4,2%	13,8%	8,6%
EUR/ CHF	0,9890	0,4%	1,7%	3,9%	1,8%	6,8%
USD/ CNY	7,2437	0,2%	-0,1%	0,6%	2,7%	2,0%
USD/ JPY	156,94	0,8%	1,4%	4,3%	13,2%	11,3%
USD/ GBP	0,79	0,0%	-2,1%	-0,1%	-2,1%	0,4%

Source: Refinitiv Datastream

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