# Nasdaq Dorsey Wright Monthly Update

May 2018

There is an old adage on Wall Street that you have probably heard enough about at this point in the month, which is “Sell in May and Go Away”. However, as tempting as this simple solution sounds, it’s not always the right answer. The saying comes from data that shows that historically, returns have been much lower during the “seasonally weak” six-month period, which begins May 1st and lasts through the end of October. Consequently, November 1st through the end of April has become known as the “seasonally strong” period in the market. Since 1950, the Dow Jones Industrial (DJIA) has had an average annualized return of 7.20%, with the bulk of this return coming during the seasonally strong period. The average return in the DJIA during the seasonally strong period has been 7.03% (only invested in the seasonally strong six months) versus an average return of just 0.15% (only invested in the market during the seasonally weak six months).

If you are still reading, my guess is that you have made the decision not to sell in May. While the bias is strong and convincing, on the other hand, there is historical precedent for the market to produce good returns during the seasonally weak period. Just last year, the DJIA posted a positive return of 11.64% from April 30th through October 31st and during six of the last ten seasonally weak periods, the market has finished in positive territory.

So, what does this all mean? Listen to the markets. Volatility has picked up in the market over the past few months; however, US Equities remains the number one ranked asset class in DALI. Specifically, Growth, from an investment style perspective, and Technology, from a sector perspective continue to lead their respective groups. So, we would continue to view these areas as the current leaders in the market. However, the Energy sector has recently been the biggest mover to the upside and is an area that warrants your attention today.

Most of the headlines you will read are about Crude Oil (CL/) hitting $70 a barrel for the first

time since 2014. What you will not hear is that the Point & Figure chart of Crude Oil moved back into a positive trend in July 2017 at $50 and has remained positive ever since. The improvement in Energy has not been confined to this commodity, it has spilled over to the equity markets, driving improvement in oil-related stocks as well.

For the first time in over a year, the broad Energy sector has moved into the top half of the DALI Sector Rankings and is by far the most improved sector this year. Over the course of this year, the Energy sector has added 65 tally buy signals. The second most improved sector has been Consumer Cyclicals (+17 buy signals) while Utilities, Real Estate, and Consumer Staples have been the biggest movers to the downside.

**DALI Sector Rankings:**
*5/7/18*

| Rank | Sector | Buy Signals |
|---|---|---|
| 1 | Technology | 238 |
| 2 | Financials | 205 |
| 3 | Industrial | 176 |
| 4 | Consumer Cyclical | 159 |
| 5 | Energy | 143 |
| 6 | Basic Materials | 138 |
| 7 | Healthcare | 135 |
| 8 | Telecom | 106 |
| 9 | Consumer Non-Cyclical | 89 |
| 10 | Utilities | 73 |
| 11 | Real Estate | 21 |

*Source: Dorsey Wright*

* All returns data is based upon the Dow Jones Industrial Average (DJIA) from April 30th, 1950 through October 31st, 2017. The "Seasonally Strong" returns are based upon investment during the months of November through April (of the following year). The "Seasonally Weak" are based upon investment during the months of May through October.

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