

Rochester Financial Services

Fee-Only* Financial Management Services

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Dow Jones	S&P 500	NASDAQ	Russell 2000	10 yr Treas	Earnings Yield (S&P)	Crude Oil	Gold
17,741	2,057	4,736	1,115	1.78%	5.83%	\$1,290	\$44.56



Investment Strategy Report

Stocks Consolidate After March's Surge, Try to Fight the "Sell In May" Curse

It's that time of the year again. May. While following investing maxims don't usually pan out, the old adage, "Sell in May and Go Away" has at times helped investors avoid some summer swoons and October panics. At the very least, we are all conscious of the selling pressure that we might encounter during this time of year. And there is no doubt that once again, we are at a critical juncture for the stock market. After suffering through a horrendous beginning to the year, followed by a surprisingly strong rebound, we now sit at about 1% above where we began the year, and only about 3.5% off of our all time high. If the markets can muscle higher to a new high, that, of course, would send a clear signal of strength. Conversely, if the markets again fail to power the S&P 500 over 2,100 and stay there, it will mark 15 months of failed attempts to do so.

At this past week's Sohn Investors Conference, investing legends came together to give their views of the markets. And the prevailing sentiment was overly bearish. Famed investor Stanley Druckenmiller told people to get out of stocks now, and increase their exposure instead to gold. Others had plenty of ideas - to short (bet against) the market. Individual investors are also feeling uncomfortable with the stock market, as they have withdrawn \$20 billion from stock mutual funds over the past few weeks, among the largest outflows in the last decade. According to Sentimentrader.com, whenever we have seen this much selling, stock prices have been higher 3 months later 84% of the time (i.e., a contrarian indicator).

Steve Sjuggerud (StansberryResearch.com) also thinks that the high degree of negative sentiment towards stocks means that we are not yet at the end of this bull market. He cites a Gallup Poll that finds that "Fewer Americans hold stocks than at any time in decades". And among professional investors, he notes that in Barrons "Big Money Poll" in their April 25 edition, "The current reading is perhaps one of the least bullish in the poll's more than 20-year history". Our current situation, he says, is the opposite of irrational exuberance. Steve's colleague Dr. David Eifrig is upbeat on the US economy and says that it is in much better shape than most would believe. "Nothing gives you a better sense of an economy's health than job growth and employment. We've averaged gains of 203,000 jobs a month since October 2010, which is a sign of a healthy economy". While I do feel that we have not yet hit the end of this bull market, I will remain cautious until the market's movement points us in the right direction.

Your Advisor in The News - This past week has been a busy one for me in print media. In the May 6 edition of the Rochester Business Journal, I was again recognized as a Top 25 Money Manager (page 9). In the May issue of Rochester's 55 Plus magazine (view online at ROC55.com), I was quoted in an article on investing (page 20). And in this week's Barrons (May 9 edition), I am quoted on page S10 (bottom) in an article on mutual fund loads. When it rains it pours!

No Such Thing As a Sure Bet - As we all know, there is no such thing as a sure bet when it comes to investing. And if someone would tell you that, you would know not to believe it. However, when the postal service came out with the Forever stamps a few years back, I thought, "Ah Ha!", here is a sure bet. Since I go through several hundred stamps a months, if I buy a large number of them before the "annual" postal increase, I could save almost 5% when the rates go up (e.g., from 47 to 49 cents). This has worked out nicely in the past, but lo and behold, you can imagine my surprise when last month, the postal service *lowered* the price of a first class stamp from 49 to 47 cents. The 1,500 Forever stamps I had bought the month before at 49 cents, were now worth only 47 cents. So much for a sure thing!

Privacy Notice - Included in this month's mailing is a copy of my company's Privacy Notice. While I'm sure that all you are aware that I would never compromise the confidentiality of your private information, it is an SEC requirement that I send this notice to you annually. This was pointed out to me during my recent SEC examination, which began in early March and hopefully should be done shortly. They also had me make corrections to my SEC Disclosure Brochure, which I will also be getting out to you. I haven't gotten the all clear signal from them yet, but I am hoping that they will be satisfied with my responses to them. *Jeff Feldman*

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