



The Month in Review

May Takeaways

- *Okay, back to facts and data.* In a year where few of the time-tested adages seem to be working, so too did the time-honored sentiment “Sell in May and walk away” fail to materialize. Instead, stocks continued April’s bullish performance. The S&P 500 added another 4.5% for the month. We continue to recover from the volatility driven collapse in March.
- *The current rally is more a function of mean reversion.* You can see this in the following chart - [Relative Value](#). Still, we are seeing some encouraging signs, at least on the surface. The increase in unemployment, which spiked during the COVID-19 shut-down, is slowing. As businesses continue to re-open, expect that statistic to stabilize. We still have a long way to go, but betting against America is a bad bet. It is hard to keep a good country down!
- The *technical picture* for equities turned positive in early April. We view this as a big positive and it means we have room to move higher. I have maintained that much of carnage in the equity markets stems from a strategy called targeted volatility, which focused on the Volatility Index (VIX) and cascaded out of control as computerized trading overwhelmed the circuit breakers. *I have not changed my mind.*
- *At its peak in March*, the VIX hit an unprecedented *high of 85!* Since then, the technical on this index reversed, which corresponded with the recovery in equities. It has recently retreated below 30, which is still elevated, but headed in the right direction.
- While *the short-term picture is promising, we have a lot more repair work to do.* Some businesses are going to disappear. Other new business models will emerge. That is creative destruction and while not much fun, it is a part of the business cycle. That is how the tech revolution came to be. Speaking of which, we are seeing strength in the tech sector and at least one of our strategic ETF plays has *regained all the ground lost since March!*
- *We are still watching and waiting to see* when earnings will come out of the recession they entered into last July (see here - <https://www.intrinvest.com/pe-vs-eps-djia>). This is one chart to keep an eye on weekly and it can be seen on our website. Always remember that markets are forward-looking and reflect expectations 6-8 months down the road. It is never a question of whether things improve, *just when... Stay tuned!*

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