Polaris Greystone FINANCIAL GROUP, LLC

Polaris Greystone Educational Series

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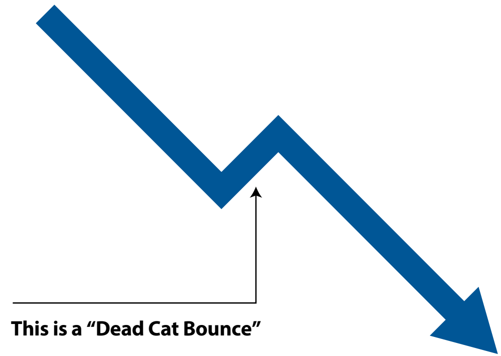
Don't Catch a Falling Knife

This saying warns investors to not purchase a stock simply because it is at a cheaper price. The follow up to the phrase is, "let it hit the ground and pick it up once it has settled." Again, sage advice. Don't risk buying a stock just because it is cheaper than it was recently. Let it continue to fall until the price settles down and then you can "pick it up" (add to your portfolio) at a better price.

Dead Cat Bounce

This often used phrase is not only visual but a little disgusting too. A dead cat bounce is when a stock that drops in value temporarily goes up before falling further in price. It is the "head fake" of the investment world because investors often buy the stock as it is temporarily increasing in value only to have the stock fall further in price.



Don't Fight the Tape

This financial phrase means that an investor should not bet against the trend of the market. In other words, if the broad market is moving up, don't bet that it is going to go down. The term "tape" is referring to the ticker tape used to transmit the price of stocks. This phrase is meant to help investors to invest with the overall trend of the market.

Buy the Rumor and Sell the News

This market adage is based on the belief that stock prices move in anticipation of a news release (rumors abound) and then when the company reports their news that many investors will take profits, selling the stock and forcing the price down.

Bull Markets Climb a Wall of Worry

"A wall of worry" occurs when the market is trending up but many investors are worried that the trend is not sustainable. This is typically in the beginning phases of a secular bull market where investors are skeptical if the market is ready to move up significantly. We sometimes refer to these investors as "equal opportunity worriers" because they worry when the markets drop but also worry that when things are good, that they won't last.

The Markets Can Remain Irrational Longer than You Can Remain Solvent

This is one of my favorite phrases in the financial industry. It is basically saying that even if you believe that you are correct about the markets and the direction they should be moving… if no one else agrees with you (i.e. the market), you're wrong. And if you insist that you are correct and everyone else is wrong, you put yourself at risk of losing a lot of money investing against the current market trend. This often happens when an investor is "married" to an investment. They are emotionally attached and believe that the company's stock has to go up. When it doesn't, they rationalize why they are right and everyone else is wrong. It is a very costly mistake that any investor can make when investing with emotion.

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Sell in May, and Go Away

This popular saying speaks to the seasonality of the stock market. The idea behind this phrase is that the majority of the stock market's price movement has historically come from November through April. Therefore, you should sell your holdings in May and buy back in November.

There is truth behind this phrase. The great majority of the markets upward price movement occurs November through April. Over the past fifty years the return difference has staggered. The issue with managing money in this manner is that it often doesn't work. Then human nature kicks in and you abandon the strategy. For example, in four of the last five years, the May through October time period has outperformed the November through April time period that followed. As you can see from below, a $100,000 investment from May through October grew more than the same investment from November through April. The best investment, however, was to stay invested through the entire year.

	May 1 – Oct 31	$100,000.00	Nov 1 – Apr 30	$100,000.00	All Twelve Months	$100,000.00
2013	**9.95%**	**$109,950.00**	**7.25%**	**$107,250.00**	**17.20%**	**$117,200.00**
2014	**7.12%**	**$117,778.44**	**3.34%**	**$110,832.15**	**10.46%**	**$129,459.12**
2015	**-0.29%**	**$117,436.88**	**-0.68%**	**$110,078.49**	**-0.97%**	**$128,203.37**
2016	**2.95%**	**$120,901.27**	**12.14%**	**$123,442.02**	**15.09%**	**$147,549.25**
2017	**8.01%**	**$130,585.46**	**2.83%**	**$126,935.43**	**10.84%**	**$163,543.59**

Source: Ned Davis Research, Inc.

So while seasonality does have an impact on investing, how long would have stuck you with "sell in May, and go away" when other investors were making good money staying invested during these months?

I hope you enjoyed this lighter piece. If there are any other clichés that you would like to understand the meaning of, please let me know.

Sincerely,

Jeffrey J. Powell
Managing Partner, Chief Investment Officer