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Market Update: Market Scariness Dissipates

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Happy Friday the 13th! Of all the things to be scared of these days, fear not the markets. The market (as measured by S&P 500) is up nearly 20% since the April lows and is up more than 3% on the year (through June 10, 2025). The market has largely been buoyed by easing trade tensions as well as strong fundamental earnings growth. Looking to the future, while risks remain — as well as bouts of volatility and uncertainty — there are also potential tailwinds with more favorable fiscal policies (lower taxes) and monetary policies (lower interest rates) in the second half of the year and beyond.
Here some key market drivers to keep in mind:

1) **Jobs Above Expectations:** Despite fears of tariffs and government efficiency policies, non-farm payrolls increased above expectations at a healthy 139,000 for May, as reported by the U.S. Bureau of Labor Statistics. Furthermore, unemployment remained unchanged for the third straight month at a relatively low 4.2%. *Overall, the employment report highlights the resilience of the U.S. economy.*

2) **Corporate Earnings Above Expectations:** Despite fears of a weakening consumer, S&P 500 companies delivered strong results in the first quarter with an earnings growth rate of over 13%. According to FactSet, 78% of companies reported positive earnings surprises and 64% had positive revenue surprises in the first quarter. *Overall, earnings reports have highlighted the resilience of the U.S. consumer.*

3) **Global Returns Above Expectations:** Despite fears of disputes around the world, the MSCI All Country World Index (a benchmark for the global stock market) reached an all-time high this week, with a year-to-date return of nearly 17% (through June 10, 2025). The performance has largely been driven by developed markets, particularly Europe, although emerging markets such as Latin America have returned double digits in 2025. *Overall, diversified portfolios continue to benefit as global markets rally and support relatively weaker returns in the U.S.*

Remember, fear is in the eye of the beholder. There are always reasons to fear the market and the economy, however, recent activity highlights the resilience and strength we are seeing across the globe.

Don't Sell in May

There's an investing adage that goes, "Sell in May and Go Away." The story behind it suggests that stock market seasonality has historically favored winter and spring months (November 1 to April 30), while the summer and fall months struggle (May 1 to October 31).

There may be some intuitive reasoning to favor winter months, which are heavy with key holidays and shopping events, while the summer lull sets in with more vacations and lower trading volumes. But what does data show about historic returns during these date ranges? And what does this year's May performance say about what to expect going forward? Let's explore:

1) **Does the theory hold?** According to BlackRock research, looking back to 1926, the average return from May 1 to October 31 has been 4.3%, while the return from November 1 to April 30 has averaged 7.4%. This is quite a wide margin. But note, a 4.3% return is still strong for a six-month period on an absolute basis, particularly when considering compounding. It certainly would not suggest that you sell out of the market.

2) **What if there is a strong May?** After three consecutive months of losses to kick off 2025, we saw a strong 6.3% rebound in May. This happens to be the second strongest May on record (see table below). Interestingly, of the other nine top Mays, seven had very strong double-digit returns through the end of the year. So, I'm going to coin a new saying: "If there is a strong May, you are here to stay!"

3) **Does it matter?** While it may be fun to analyze this type of data, it has little impact on long-term investment returns. As mentioned, even seasonally weaker months produce positive returns on average, and there are significant risks of missing out on those returns. Remember that staying invested and diversified for the long-term provides the best chances of achieving your investment objectives.

Stay diversified, my friends.

Returns After The 'Best' Mays
S&P 500 Total Returns During Specific Years Since 1926

Year	May	Next 7 months (Jun-Dec)
1990	9.8	-6.6
2025	**6.3**	**?**
1997	6.1	15.5
1985	5.8	14.2
2009	5.6	22.8
1986	5.3	-0.1
2003	5.3	16.6
1980	5.1	25.6
1950	5.1	14.1
2024	5.0	12.3
Average	***5.9***	***12.7***

Source: BlackRock's Student of the Market, June 2025. Morningstar as of 5/31/25. U.S. Stocks are represented by the S&P 500 TR Index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You can't invest directly in the index.

As always, Dynamic recommends staying balanced, diversified and invested. Despite short-term market pullbacks, it's more important than ever to focus on the long-term, improving the chances for investors to reach their goals.

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