

Market Index	May Change	Year to Date
Standard & Poor's 500	-8.0%	-1.5%
Dow Jones Industrial Average	-7.5%	-1.6%
Russell 2000 (small company)	-7.6%	6.3%
MSCI EAFE (international)	-12.1%	-13.7%
Barclays Intermediate Gov/Credit Index	0.7%	3.2%
3 Month Treasury Bill	0.0%	0.0%

Sold In May And Went Away

An 8% drop in the stock market in May - the worst May since 1940 - certainly seemed to support that popular old saying, "Sell in May and go away." The market is full of seasonal pattern curiosities, and this maxim comes from the observation that the best six-month period for the Dow Jones Industrial Average has historically come from the November through April period. According to the Stock Trader's Almanac, since 1950, during the May through October period the Dow has cumulatively lost 2,453 points. This means that more than 100% of the Dow's point gain since 1950 has occurred in the November to April period. Of course, no historical pattern is consistent or infallible, but last month reflected the nervousness of investors as the Dow dipped below 10,000.

As the market slipped from its late April peak, the so-called "Flash Crash" on May 6th was marked by a 1,000 point decline in the Dow during the day, most of it coming within a one-hour window. While the market quickly recovered more than half of that loss later that afternoon, the market has been very volatile since then. Although the exact cause of the crash has not been determined, it is thought to be mostly related to a temporary lack of liquidity among the various exchanges, which was amplified by participation (and in some cases, lack of participation) by high-frequency, automated trading firms. Investors had already been nervous about Europe when market makers paused trading in certain stocks. Market liquidity then vanished for the affected stocks, which led to a chain reaction of selling as automated trading strategies accelerated and limit orders were executed. The result was several nonsensical trades that were later cancelled by the exchanges (e.g. Accenture, a company with \$12 billion in assets and no long-term debt traded at \$0.01 per share before closing that day at \$41 per share).

In addition to these seasonal and technical problems, geopolitical risk persisted in May: sovereign debt concerns in Europe, policy tightening worries in China, and elevated tensions between North & South Korea. Amid the investor skittishness, U.S. bonds rallied in a flight to safety. The 10-year Treasury yield fell as low as 3.15%, the lowest level in over a year. The U.S. dollar jumped 8.5% in the month versus the battered Euro. International stocks fell 12.1% during the month as a result of the turmoil.

The stock market sell-off was broad, and none of the ten sectors escaped losses in May. Energy was the worst performing sector, down 11%, as the damaging implications of the BP oil leak in the Gulf of Mexico started to be digested. But as unpleasant as the market was in May, some correction was probably overdue, as it had been over a year without a 10% or more market decline.



CINCINNATI

3777 West Fork Road Cincinnati, OH 45247 513.661.3100 800.541.0170

DAYTON

40 North Main Street Dayton, OH 45423 937.461.3790 800.851.9114

COLUMBUS

100 E. Broad Street Columbus, OH 43215 614.365.9103 866.365.4523