***May 2018***

***MARKET OUTLOOK SPRING 2018***

***“Sell in May and go away”****is a traditional mantra on Wall Street, but maybe not this time.  Trading activity historically slows down between Memorial Day and Labor Day, as all the Wall Street mavens retreat to their million dollar homes in the Hamptons.****Less volume in daily trading increases volatility,*** *which can tend to spook the markets and stocks drift lower, so why is this year different?*

*This year, the stock markets have already been "spooked" by****geopolitical risks****concerning****China trade, North Korean war mongering, and Iran sanctions.****Since the start of the year stocks have seen a peak and then a correction of 10%.  I believe a correction like this may be healthy for the financial markets in that it shakes out many of the retail investors and brings valuations back in line with historical averages.*

*Unlike in the past,****high-frequency trading or HFT,****adds liquidity to markets today.  Possibly as much as****50% of all trading today is performed by machines****based on complicated computer algorithms.  In the past, the brightest minds wanted to be traders at investment banks. Today, all the brightest minds are getting into quant funds, These quants create algorithms based on their quantitative analysis skills.  The trades are then placed by computers and travel by high speed fiber optic networks linked directly to the exchanges. Every millisecond counts for the HFT to gain an advantage in this high speed trading.*

***Stock valuations are lower, corporate earnings are strong, and the economy is growing at 3% a year,****these are all reasons to stay the course and not sell in May.  Tax implications are an additional incentive to stay the course, the market has gained roughly 20% over the past year, by selling you would be creating a taxable event, in RI capital gains are taxed as regular income.  As Warren Buffett once said,****"Our favorite holding period is forever."***

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