

PHASES & CYCLES®

THOUGHT FOR THE DAY, Sunday, May 14, 2006, 9:00 p.m.

Sell in May and Go Away? A conversation with the Market.

Ron Meisels: Does this best describe your current status?

The Market: Proponents of “Sell in May and go away” had their hurrah for the last two days. But the concept is false.

Q: How so?

A: Because it works only if I am in a Bear Phase. It worked in 2001 and 2002, but not in 2003, 2004 or 2005!

Q: Did you really tell us to “go away” in the last two days?

A: Instead of listening to your “fears and panics”, let’s look at the evidence. Let’s look at the statistics since the middle of last week, since my recent highs, in the tables below.

Q: Shall we start with New York?

A: OK. As the tables below indicate my Dow Jones Industrial Average (DJI) advanced to 11643 by May 10th, but then had two down days (-262 points or -2.2%). However, Friday was barely below the May 4th low!

Q: What about the Dow Theory.

A: The Dow Jones Transportation Average (DJT) declined 158 points or 3.2% from May 9th to May 12th, but before this, both the DJI and DJT advanced in unison. There was no divergence.

Q: People say that the DJI is no longer the best average to look at. What about the S&P 500 Index (S&P)?

A: The S&P decline kept pace with the DJI; the decline was about 2.6% from the recent highs.

Q: There are some internal statistics that you provide for us. What about the Advancing Stocks vs. the Declining Stocks (A/D); the Upside Volume vs. the Downside Volume (UV/DV) and the New Highs vs. New Lows (H/L)? What do they show?

A: The A/D kept pace with last week’s advance until the last two days of the week. Then there were two negative days, both ending with a 1-to-4 ratio. The UV/DV mirrored this exactly. The H/L statistics are very interesting. Despite the decline, only Friday’s statistics show fewer NHs than NLs (27 vs. 141).

Q: What about Toronto?

A: The S&P/TSX Index (TSX) fell 2.5% from its May 9th high, which is about the same as in NY.

Q: What about the other statistics?

A: The A/D and the UV/DV numbers were actually better than in NY. And to crown it all, the H/L numbers never reversed in Toronto.

Q: So what does this all mean?

A: New York and Toronto had a mini-climax.

Q: Pardon me?

A: A full selling climax usually comes at the end of a bear market and it consists of a 1-to-10 A/D and 1-to-10 UV/DV ratio, as well as a day when there is not one New High, but there are hundreds of New Lows. This is not what occurred on Friday.

Q: So what did occur?

A: As I said, a mini selling-climax that had 1-to-5 ratios in the A/D and UV/DV columns but still there were 27 New Highs vs. 141 New Lows.

Q: Was there anything else that we can point to that influenced your behavior?

A: Yes. To start, the DJI got inches away from its all-time high – this could have induced some of you to sell.

Q: Anything else?

A: We are a week away from the May option expiry day and profit-taking usually occurs at this time in those stocks that have had substantial gains since the last expiry day.

Q: Does this mean that it's all over and "away we go"?

A: Not so fast. Monday could start negatively, since by tonight everybody will have had the time to listen to the naysayers.

Q: And afterwards?

A: Option expiry week often brings cross-currents. However, another mini-climax on Monday will probably eliminate a lot of panic sellers.

Q: Is Toronto any different?

A: There was a lot of profit to be had in the Energy, Materials and Gold stocks in Toronto for those who bought at the late-February lows. Such profit-taking may continue for most of next week, but by mid-week some bargains may appear in these Sectors.

Q: Can we trust you?

A: Well, I do like to pay with your emotions, but upside targets of S&P 1360 and TSX 14,000 continue to exist for the days ahead.

Q: Sell in May and go away?

A: NO.

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Name	Statistics						
	NEW YORK						
May	Th-4	F-5	M-8	Tu-9	W-10	Th-11	F-12
D J Ind	11439	11577	11584	11640	11643	11501	11381
close							
gain (loss)		138	7	56	3	-142	-120
% diff.		1.2%	0.1%	0.5%	0.0%	-1.2%	-1.0%
D J Trans	4908	4958	4958	4999	4991	4992	4841
close							
gain (loss)		50	0	41	-8	1	-151
% diff.		1.0%	0.0%	0.8%	-0.2%	0.0%	-3.0%
S&P 500	1312.3	1325.8	1324.7	1325.1	1322.9	1305.9	1291.2
close							
gain (loss)		13.5	-1.1	0.4	-2.2	-17	-14.7
% diff.		1.0%	-0.1%	0.0%	-0.2%	-1.3%	-1.1%
Advancers	2063	2482	1677	1641	1461	613	651
Decliners	1228	855	1632	1699	1854	2732	2658
Adv minus Dec		1627	45	-58	-393	-2119	-2007
Adv/Dec Ratio		3 to 1	1 to 1	1 to 1	0.8 to 1	0.2 to 1	0.2 to 1
Up Volume (M)	1057	1328	809	779	685	286	292
Down Volume (M)	646	342	721	703	916	1533	1550
Up minus Down		986	88	76	-231	-1247	-1258
Up/Down Ratio		3 to 1	1 to 1	1 to 1	0.8 to 1	0.2 to 1	0.2 to 1
New Highs	257	425	317	282	223	193	27
New Lows	60	22	31	37	60	91	141
Hi minus Low	197	403	286	245	163	102	-114
Hi/Low Ratio		19 to 1	10 to 1	8 to 1	4 to 1	2 to 1	0.2 to 1

Name	Statistics						
	TORONTO						
May	Th-4	F-5	M-8	Tu-9	W-10	Th-11	F-12
S&P/TSX	12126	12126	12198	12286	12278	12161	11990
close							
gain (loss)		0	72	88	-8	-117	-171
% diff.		0.0%	0.6%	0.7%	-0.1%	-1.0%	-1.4%
Advancers	697	886	751	877	789	580	492
Decliners	783	590	741	658	723	924	1012
Adv minus Dec		296	10	219	66	-344	-520
Adv/Dec Ratio		1.5 to 1	1.0 to 1	1.3 to 1	1.0 to 1	0.6 to 1	0.5 to 1
Up Volume (M)	171.9	231.8	207.2	305.1	189.8	165.4	97.1
Down Volume (M)	134.3	87.8	126.6	114.9	185.6	274.8	255.1
Up minus Down		144.0	80.6	190.2	4.2	-109.4	-158.0
Up/Down Ratio		2.6 to 1	1.6 to 1	2.7 to 1	1.0 to 1	0.6 to 1	0.4 to 1
New Highs	40	55	56	83	69	78	23
New Lows	10	9	10	9	12	13	12
Hi minus Low	30	46	46	74	57	65	11
Hi/Low Ratio		6 to 1	6 to 1	9 to 1	6 to 1	6 to 1	2 to 1