



What Seasonal Patterns Like “Sell in May” Mean for Investors

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Your brain is a pattern machine. That’s a feature... until it becomes a bug.

We’re wired to connect dots. It helped our ancestors survive. It helps us make sense of the world. But it also means we’ll see patterns where none exist: faces in clouds, shapes in ink blots, meaning in randomness.

And in investing? That instinct can quietly cost you. Because not all patterns are created equal. Some matter, like the long-term relationship between economic growth and corporate earnings. Others? They’re just statistical mirages dressed up as “insight.” The market is full of patterns. That doesn’t mean they’re real.

Investors love a good story, especially when it comes with a catchy rule:

- “Sell in May and go away”
- The January Effect
- The Santa Claus rally
- Even the Super Bowl indicator

They sound convincing. They feel actionable. And occasionally... they even work.

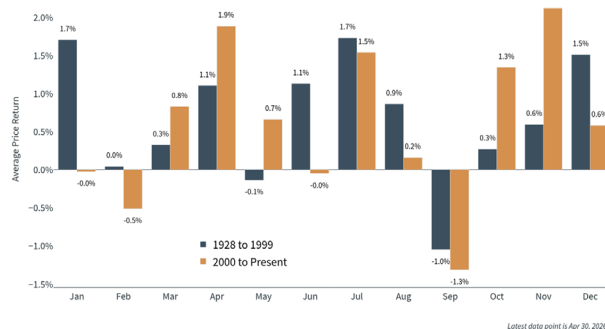
But here’s the problem: randomness produces streaks too. Flip a coin enough times, and you’ll see runs of heads or tails. That doesn’t mean the coin has a memory. It means probability is doing what probability does. Markets are no different.

Yesterday’s pattern is often tomorrow’s disappointment

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Large Cap Seasonal Patterns

Average returns by month from 1928 to 1999 and 2000 to present
S&P 500 Index price returns



Take seasonal trends. If you look at the S&P 500 from 1928 to 1999, certain months looked meaningfully different. May and September were weak. December and January were strong. It was tempting to believe you could “game” the calendar. And that belief fueled strategies like “sell in May.” But since 2000? The pattern has... largely disappeared. Many of those historically weak months have actually delivered positive returns. The relationship flipped. Or faded. Or maybe, it was never as real as it seemed. That’s the danger.

Once a pattern becomes widely known, it either gets arbitrated away... or it was never durable to begin with.

The academic version: you’re being fooled by randomness

There’s a phrase in investing circles: fooled by randomness. It’s exactly what it sounds like. When returns are inherently unpredictable, you’re going to get stretches that look meaningful—but aren’t. Good runs. Bad runs. Clusters that feel intentional. They aren’t.

This is where ideas like statistical significance and the difference between correlation and causation come into play. Just because something happened during a specific month doesn’t mean the month caused it.

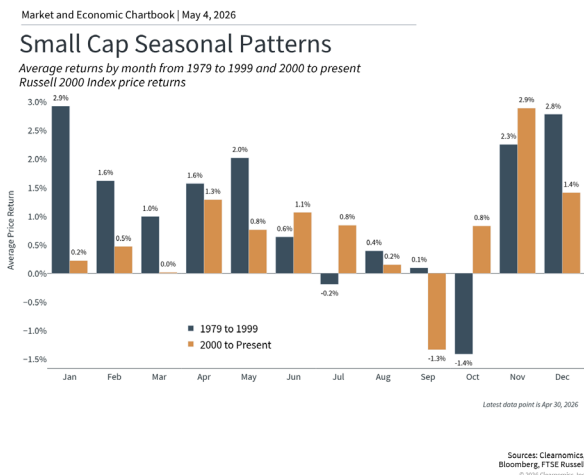
We don't get crashes because it's September. We get crashes because of leverage, liquidity, policy mistakes, or structural breaks in the system. September just happens to be when some of those showed up.

Even the "best" patterns fade

Small caps tell the same story. The January Effect, where stocks, especially smaller ones, would rise in January, was once one of the most studied anomalies in finance. There were logical explanations:

- Tax-loss harvesting in December
- Bonus money being invested in January
- Portfolio "window dressing" by managers

It all made sense. And then... it stopped working. Or at least, it became far less reliable. Which is exactly what you'd expect if the edge was either temporary or widely exploited.



Investors should focus on long-run trends instead

What actually drives returns (and always has)

Here's the part that doesn't change. Markets rise over time not because of clever timing strategies, but because businesses grow.

- Economic cycles drive investment.
- Investment drives earnings.
- Earnings drive markets.

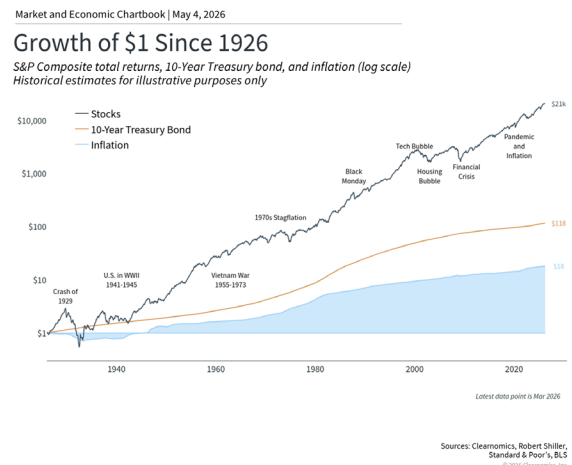
That's the engine. It's why the S&P 500 has compounded through wars, recessions, financial crises, and pandemics. Not because January is magical. Not because May is dangerous. But because the underlying system, innovation, productivity, capital allocation, keeps moving forward. The uncomfortable truth (and why it works).

Could you try to time the market based on seasonal patterns? Of course.

It's tempting. It feels proactive. It gives the illusion of control. But if it were that simple, everyone would do it... and it would stop working (if it ever did in the first place). Instead, the things that actually matter tend to be the least exciting:

- Staying invested
- Managing risk thoughtfully
- Aligning your portfolio with real-world needs and liabilities
- Maintaining discipline when it's hardest

It's not easy. That's exactly why it works.



The bottom line: Seasonal patterns make for great conversation. They just don't make for reliable strategy. Markets evolve, behavior adapts, and edges decay. What endures are the fundamentals, the relationship between growth, earnings, and long-term capital. Focus there. Everything else is just clouds that happen to look like something familiar.

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