



Time to Sell in May and Go Away?

Description

The old adage to “sell in May and go away” has long been quoted, with the theory behind it being a very simple one. Summer months are slow as people take their vacations, trading activity is lower, and stocks therefore languish between the months of May and early autumn.

While this has certainly held up some years, many studies show that this [seasonality](#) does not hold in a way that makes it something reliable that we should act upon.

We should therefore take it on a case-by-case basis, which will vary depending on the stock, the industry, and the market in general.

Let's look at where we're at in May 2019. Should we expect weakness this summer?

Heightened volatility

The last month or so has certainly been a volatile period.

With the **S&P/TSX Composite Index** having emerged from its April highs, we have seen many big down days and some good days.

Record highs

Another thing to consider is the fact that market is still trading at levels that are hovering around all-time highs after a 2019 that has thus far seen it rise significantly.

This, coupled with ongoing trade issues, global growth concerns, and concerns with regard to leverage or debt levels, all point to weakness ahead.

If the market is becoming more risk averse because of these and many concerning trends, I think it would be a good idea to consider at least lightening up on certain stocks and maybe even on stocks in

general, and building up your cash balance so that you will be ready to buy lower if and when the market sinks lower.

Stocks to sell

Cannabis stocks strike me as a good place to look to take some money off the table. If you own any of these stocks, this would be a good time to at least lighten up.

While **Canopy Growth Corp.** ([TSX:WEED](#))(NYSE:CGC) remains the leader in the cannabis space; its stock is certainly factoring in a lot of good news, and we can easily see how in the short term, a pullback is increasingly likely.

Canopy will be reporting its results in June.

Another area to look to for selling opportunities is the retail sector, with retail stocks such as **Canada Goose Holdings Inc.** ([TSX:GOOS](#))([NYSE:GOOS](#)) looking vulnerable to more downside.

Already down big since the beginning of May, Canada Goose stock remains [expensive](#), with a P/E multiple of almost 50 times this year's expected earnings. Its exposure to China heightens the risk of this stock, and if you believe that the market is not pricing in the realities of heightened economic risk and high debt levels, then Canada Goose is a candidate to sell.

Final thoughts

In closing, with the market up big already in 2019, this year appears to be a good year to sell in May and go away.

CATEGORY

1. Cannabis Stocks
2. Investing

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