"SELL IN MAY AND GO AWAY"?

This is the old Wall Street adage that precedes the summer, which is essentially characterized by "a non-market", or in any case a slow, rarefied and with few volumes one.
In fact, since 1990, the S&P 500 has averaged only about a 2% annual gain from May through October compared to a 7% annual gain from November through April.
Will this be a different May than usual?
It seems not.
Although investors observe an improvement in inflation and hope for a first interest rate cut by the Fed in June (at the beginning of May the American Central Bank decided to leave them unchanged), analysts recommend prudence in investments, not only for this month, but also for those to follow.

To date

Last week Federal Reserve Chair Jerome Powell showed satisfaction with the results obtained on the inflation front after two years of strict monetary policy. Nonetheless, Powell did not announce a first rate cut (interest rates are currently at 23-year highs), underlining that U.S. inflation levels (today at 3.5%) have not reached the hoped-for levels yet and must continue to be carefully monitored (Fed target is 2%).
Investors, however, remain convinced that the first interest rate cut will take place in the coming months and will be followed by at least another one, perhaps two, by the end of 2024.

For many months the most reassuring data has remained those relating to the U.S. labor market, which continues to show great solidity, with a historically low unemployment rate (3.8%).

According to OECD: *"The global economy is growing faster than expected only a few months ago thanks to resilient U.S. activity while inflation is converging more quickly than expected with central banks' targets. The global economy would maintain the 3.1% growth rate seen last year and pick up marginally to 3.2% next year."*

First-quarter Earnings season

The Earnings season has shown a mix of results so far, with S&P 500 companies reporting 3.5% year-over-year earnings growth.

Communication services (up 34.4%) and utilities companies (up 23.9%) performed well, even very well compared to a year ago.
The healthcare and energy sectors instead are down, by 28.1% and 25.5% respectively.
Evidently, the technology sector, in the "air du temps", reported good results (up 22.2%).

How to invest in May

Wall Street returns remain heavily concentrated, with just 10 stocks accounting for 85% of the market's gain for the year to date.

In this moment of market correction, which provides the opportunity of buying strong securities at discounted price (among these the 10 mentioned above), it would be interesting for investors to create in their portfolio a Tech and AI oriented basket, taking as a basis some big classic positions (*Magnificent 7*) and as an addition some stocks of smaller companies also active in the sector, such as:
Design Systems (CDNS), Manhattan Associates (MANH), Arista Networks (ANET), CrowdStrike (CRWD),
Kinsale Capital (KNSL), ServiceNow (NOW), Zscaler (ZS).

Furthermore, considering the current stock market situation, it's still a good time to look for contrarian investment opportunities, especially in those areas that have underperformed, are unloved and are undervalued, such as the real estate, the healthcare, and the basic materials sectors.

Investors concerned about a possible stagflation scenario are advised to take a more defensive approach, calibrating exposure to stocks and cash holdings.

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