

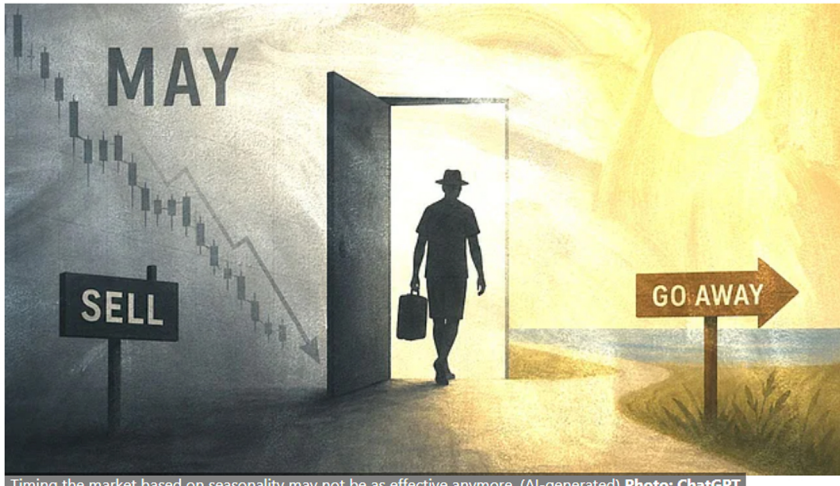
After A Strong April, Will Markets Still Play By 'Sell In May And Go Away' Strategy

After a strong April rally, Indian markets enter May with uncertainty around oil and geopolitics, bringing back the question: does "Sell in May and go away" still hold? Here's what data and analysts say

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Updated on: 4 May 2026 8:27 pm

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Timing the market based on seasonality may not be as effective anymore. (AI-generated) Photo: ChatGPT

After logging one of the best monthly rallies in April, Indian equities enter May at an interesting crossroads. With crude oil prices elevated and the US-Iran conflict still far from over, talks around the old and famous Wall Street adage "Sell in May and go away" have resurfaced. The question now is whether this seasonal strategy still holds relevance in the current scenario.

To answer that, let's first understand the thinking behind this adage. During the May-October period, trading activity tends to slow, particularly in developed markets due to summer holidays, leading to lower participation from institutional investors. This period also doesn't offer many strong domestic triggers to keep momentum going. On the other hand, the November-April period sees stronger tailwinds from festive demand, robust earnings, Budget-related developments and fresh portfolio allocations by global funds.

Historical data cited by Reuters in one of its reports show that equities have generally delivered weaker returns during the May-October phase, averaging around 2 per cent since 1945, compared to nearly 7 per cent gains during the November-April period. However, more recent trends suggest the pattern may be losing relevance.

In the last ten years, returns during this so-called weak phase have improved significantly, averaging around 7 per cent, including a sharp 22 per cent rally last year, indicating that timing the market based on seasonality may not be as effective anymore.

The May Heatmap: A 30-Year Reality Check

To see if this trend holds true in India, we looked at market data from 1996 to 2025. The data shows that while May used to be a more volatile and cautious month earlier, its performance has become more stable over time, with returns turning slightly positive in recent years.

Has Volatility Reduced?

A closer look at the data shows a clear shift over time. Between 1996 and 2005, May was a difficult month for markets, with an average return of around -0.36 per cent. This period also saw sharp and unpredictable moves, including a steep fall of over 17 per cent in May 2004.

However, things have changed in the last decade (2016-2025). The average return in May has improved to about +1.34 per cent. More importantly, the swings have become much smaller. Earlier, returns could vary widely, from a fall of 17 per cent to a jump of 28 per cent, but in recent years, performance in May has been more stable and predictable.

50-50 Hit Rate

Over the past 30 years, it has delivered gains in 15 years and losses in 15 years. In years when May ended in the green, the average gain was around 6.80 per cent, whereas losing years saw an average fall of about 5.20 per cent.

An even 50 per cent hit rate means May does not favour either bulls or bears.

Outliers and Regime Shifts

The "Sell in May" strategy often ignores the impact of massive recovery rallies. The most significant outlier in our data occurred in May 2009, when markets surged by 28.0 per cent in a single month, the best performance in the 30-year history. Investors who "went away" that year missed a generational wealth-building opportunity.

Era	Avg. May Return	Max Upside	Max Downside
The Volatile Era (1996-2015)	+0.51%	+28.07%	-17.40%
The Modern Era (2016-2025)	+1.34%	+6.50%	-3.03%

Time in the Market vs Timing the Market

Geopolitical tensions and high crude oil prices are valid reasons to stay cautious, but the historical data suggests that "Sell in May" is becoming an increasingly unreliable compass for the modern Indian investor.

The strategy's relevance has been diluted by the rise of domestic institutional participation and Systematic Investment Plan (SIP) inflows, which provide a "cushion" that didn't exist in the 90s. For today's market participant, the bigger risk may not be a temporary dip, but missing out on a sharp rally, like the one seen in 2009.

As May 2026 progresses, the data suggests caution is sensible, but stepping away from the market could mean missing out on potential gains.

What Matters More for Indian Equities

Market experts are of the opinion that real triggers matter more than seasonal trends.

Ruchit Thakur, market analyst at VT Markets, notes that while the "Sell in May" strategy is unlikely to succeed in India this year, it is "silly to expect April-like returns in May." He observes that the market is transitioning from a momentum-driven surge into a "more selective, sector-specific, range-bound phase with a positive bias."

Thakur points out that this proverb is more applicable to US seasonal cycles, whereas India is currently governed by local liquidity from Domestic Institutional Investors (DIIs), earnings momentum, and global macros like oil and dollar rates.

Ravi Singh, chief research officer at Master Capital Services, agrees that the trade is unlikely to mirror Western markets. He argues that the real narrative will be driven by the current earnings season. According to Singh, "Stocks that rallied in April for genuine reasons like strong business fundamentals, improving margins, and better earnings visibility will hold their ground and likely move higher." However, he warns that those riding only on broader optimism will struggle to justify their valuations once the hard numbers are released.

Prabhakar Kudva, director at Samwitti Capital, believes investors should not rely on calendar-based strategies alone, as global events can quickly change the market direction.

"We look forward to crude correcting back to the 80s as the key variable," Kudva states. Given that India imports nearly 85 per cent of its oil, he explains that every \$10 drop in crude prices benefits the rupee and corporate margins.

What Should Investors Do

For investors holding cash on the sidelines, experts suggest it's better to invest gradually rather than wait for the "perfect" market correction. Trying to time the market often leads to missed opportunities.

Ruchit Thakur recommends a phased approach. He suggests putting in 30-40 per cent of the cash now, keeping another 30-40 per cent ready to invest if markets fall by 3-5 per cent, and saving the rest for bigger dips. His point is simple: waiting for the ideal entry point can mean staying out of the market for too long.

Ravi Singh highlights the importance of staying invested. According to him, "time in the market beats timing the market." He believes the current phase is just a pause in a broader bull run, and waiting for a sharp fall may sound sensible but rarely works in reality.

Prabhakar Kudva adds that while the best opportunity may have been during the March correction, investors should avoid all-or-nothing decisions. His strategy is to invest around 50 per cent now and spread the rest over the coming months through SIPs or planned investments during dips.

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Published At: 4 May 2026 6:05 pm

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