July 15, 2016

Dear Investors,

Last week, I wrote that the probability of a market peak occurring this week was very high. After several attempts over the last 14 months, the S&P 500 Index finally broke above last year's all-time high. Once this level is surpassed, algorithm buy programs kick in and send the markets higher. This week, the markets continued higher on declining volume to develop a broadening megaphone pattern which is often seen prior to a steep market decline. Since their post BREXIT low on June 28th, the markets have jumped over 8% in 13 trading days for no clear reason. The markets have ignored lackluster corporate earnings, mediocre economic data, and two terrorist attacks during this latest market surge.

The Dow Jones Industrial Average gained 369.81 points, or 2.0%, for the week to close at 18,516.55, and is up 6.3% this year. The S&P 500 Index added 31.84 points, or 1.5%, this week to close at 2,161.74, and is up 5.8% this year. The NASDAQ Composite gained 72.83 points, or 1.5%, this week to close at 5,029.59, and is now positive for the first time this year, up 0.4%. The Russell 2000 gained 27.95 points this week, or 2.4%, to close at 1,205.31, and is up 6.0% this year.

From a technical aspect, the markets blew past the Fibonacci cluster. This cluster is a series of converging small phi mate dates but is not as precise as an actual phi mate turning date. The next actual Fibonacci phi mate date is August 24th and it looks like it may be a bottom. This week's surge turned a larger multi-year, three wave mapping pattern into a five wave topping pattern. Each of the larger waves that lasted over a year had several sub-wave patterns. This pattern is very similar to the pattern that unfolded from 2003 to 2007. What is even more disturbing is that the last time that the markets surged higher on declining corporate earnings was 2007. These warning signs are significant.

It is so important not to lose your investment objective focus during the media hype that the markets are at all-time highs. On September 17, 2014, the S&P 500 Index closed at 2,001 when the Federal Reserve halted its money printing policy. Three weeks ago on June 27th, the S&P closed at 2,000.54. The broad market index is up 8% from three weeks ago, or 4% annualized since September 2014. During the same period, the S&P was down over 10% three times. This is why I have been saying that the downside risk is not worth the upside potential. Investment grade and high yield bonds* have had greater returns over the last two years without the extreme volatility.

Two years ago, corporate earnings were not declining. The economic data was not much stronger than it is today. The labor participation rate was higher than it is today. China was supposed to fuel global growth with its double digit GDP. This week, China announced that its latest GDP growth rate is 6.7%. The BREXIT impact has been totally ignored over the last three weeks. Many of the central banks around the world have very little left to stimulate growth in their respective countries. The markets are at dangerously high levels with too much global uncertainty.

It is the role of a financial planner to help clients meet their financial goals within their risk tolerance. In my experience, clients want to be very risky when the markets are moving higher and very risk averse when the markets are declining. It is our objective to capture as much of the market's upside potential and minimize as much of the downside participation. This may be a great time to take some profits or rebalance or reallocate your portfolio. If you want to discuss your financial plan, risk analysis, and/or tax strategies or would like to refer a friend or family member, then please call our office or email info@summitasset.com. It is time to put our B.E.L.I.E.V.E. Wealth Management process to work for you.

Regards,

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**High yield/junk bonds (grade BB or below) are not investment grade securities, and are subject to higher interest rate, credit, and liquidity risks than those graded BBB and above. They generally should be part of a diversified portfolio for sophisticated investors.*

You cannot invest directly in a market index, market indices are for benchmark purposes. The information in this market commentary is obtained from various news sources, Stockcharts.com and technicalindicatorindex.com.

Fibonacci Phi Date (also known as Fibonacci Time Extensions) is a technical indicator used to seek to identify the timing of significant price movement in the market, and is based on the Fibonacci Number Sequence.

The Hindenburg Omen is a combination of technical factors that attempt to measure the health of the NYSE, and by extension, the stock market as a whole. The goal of the indicator is to signal increased probability of a stock market crash.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you consult your financial advisor prior to investing.

The economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful. All performance referenced is historical and is no guarantee of future results.

The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors.

The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market.

The Russell 2000 Index is an unmanaged index generally representative of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index.

The Blue Chip Index is a stock index that tracks the shares of the top-performing publicly traded companies. These indices are unmanaged, which cannot be invested into directly.

Past performance is no guarantee of future result.