July 8, 2016

Dear Investors,

This was a very interesting holiday-shortened week for the markets. From a technical aspect, the markets almost followed a textbook wave mapping pattern. Last Friday, there was a small change in the McClellan Oscillator suggesting that a large move was coming early this week. The large move was likely to be to the downside following last week's meteoric rise and it occurred on Tuesday. However, I suggested last week that the wave mapping looked like the markets would retest their all-time highs once again. This weekend, which is right in the middle of a Fibonacci phi mate cluster, the S&P 500 Index is less than one point below its all-time high. Is this the turning point? From a technical standpoint, the probability is very high that this is a top, or there will be a top in the next few days.

The Dow Jones Industrial Average jumped 280.56 points on Friday gaining 197.37 points, or 1.1%, for the week to close at 18,146.74, and is up 4.1% this year. The S&P 500 Index jumped 32 points on Friday gaining 26.95 points, or 1.3%, this week to close at 2,129.90, and is up 4.2% this year. The NASDAQ Composite gained 94.19 points, or 1.9% this week to close at 4,956.76, and is down -1.0% this year. The Russell 2000 gained 20.59 points this week, or 1.8%, to close at 1,177.36, and is up 3.6% this year.

The markets catapulted higher on Friday following a much better than expected July Jobs Report. Was the report really strong enough to warrant such a market move, or was it a reason for a technical catalyst? If you read the headline, then you would think it was a fundamental economic improvement. However, if you read the detail and apply common sense, then you will realize that it was not that great. According to the Department of Labor, the economy added 287,000 jobs in June! That number assumes that 92,000 new jobs were from new businesses that may have been started last month. The report also revised down May's number from 38,000 to 11,000 and also revised April's report lower. The unemployment rate moved back to 4.9% because more people were seeking work. Now, the common sense element is called summer hiring as high school and college students get summer jobs. This phenomenon occurs every year and yet investors think that it is more than what it really is. These are not jobs that stimulate economic growth. Even if you believe the headline number, the three month average is only 146,000, which is not enough to keep pace with population growth.

This week's move higher occurred on weaker trading volume and Friday's spike higher was one of the weakest trading volumes in the last four weeks. The other economic data this week was lower than expected. This week will be the beginning of the second quarter earnings, which are expected to result in the fifth consecutive quarter of declining earnings and yet the markets are teetering near all-time highs. One thing I noticed that is different with this high point is that most of the pundits on CNBC now believe that the markets will move substantially higher. At the previous peaks, there were skeptics saying that the markets will move lower, but now, based on this Jobs Report, many believe that the economy is stronger than they thought.

On Friday, the 10-year Treasury yield dropped to an all-time low of 1.36%. As many other countries have negative interest rates, our country's benchmark rate continues to fall. This is not a sign of strength and prosperity. These low rates may force investors to seek greater yields from stock markets and push the markets to new all-time highs in the short-term. This is an extremely dangerous position for those in, or nearing, retirement. Although the S&P and Dow Jones Industrials are near all-time highs, the Dow Transportation Index is not participating. This is a huge bearish divergence that should not be ignored.

Last week, I wrote that the markets are at dangerously high levels with too much global uncertainty. This week, there are more uncertainties and the markets are even higher. The pundits are discussing the possibility of the U.S. joining the ranks of Japan and Germany with negative interest rates. This means that it will cost you money to put your money in the banks. I believe that it is unlikely, but just another uncertainty. The downside risk to this market is far greater than the upside potential. 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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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.