August 3, 2018

Dear Investors,

The markets continued to zig-zag higher over the last two weeks. It has taken just over six months for the S&P 500 to retest its all-time high of 2,872.87. This is a very important technical week for the markets as we come upon the next Fibonacci phi mate turning date pegged for Wednesday, August 8th (plus or minus three trading days). Since the broad market index is still just over one percent off its all-time high, I would expect the S&P to move higher and retest its high this week. There are two premises that technical analysts are debating right now. The first is that this is part of larger final wave higher that will exceed the previous highs to complete the three long-term rising patterns that began in 2009. The second is that the January high will hold, and this wave higher is merely a retest. This week should determine which is correct. However, both scenarios lead to a sharp decline in the near future.

The Dow Jones Industrial Average finished a volatile week up 11.52 points, or 0.05%, to close at 25,462.58, and is up 3.0% this year. The S&P 500 Index gained 21.53 points, or 0.8%, to close the week at 2,840.35, and is up 6.3% this year. The NASDAQ Composite gained 74.59 points, or 1.0%, to close at 7,812.01, and is up 13.2% this year. The Russell 2000 added 10.03 points, or 0.6%, to close this week at 1,673.37, and is up 9.0% this year. Gold declined $10.70 this week to close at $1,221.90, and is down 6.4% this year.

A strong second quarter corporate earnings season seemed to shift investors' focus away from mediocre economic data and escalating trade wars. Of the S&P 500, 406 companies reported earnings and 319 reported better than expected earnings according to Thomson Reuters. Last week, the first estimate of second quarter GDP showed that the economy grew at a rate of 4.1%, which was basically what economists were expecting. This week, the July Jobs Report showed that 157,000 jobs were added last month, of which 146,000 were supposedly added from new businesses. If you remove the guesstimate, then 11,000 jobs were added. However, the previous two months were revised higher by a total of 50,000 new jobs and the unemployment rate ticked down to 3.9%. Overall, the data was positive and was a reason for investors to temporarily ignore the trade wars and the Federal Reserve's tightening policy, both of which should take center stage when this rally ends.

From a technical aspect, the S&P 500 posted five consecutive weekly gains, including the last two weeks which had declining volume. Generally, if there is a major market turning point then all of the major indices peak at the same time. In January, all of the major indices peaked, but the NASDAQ and Russell 2000 have subsequently surpassed those highs. The S&P 500 is less than 1.5% from its high and the Dow is over 1,000 points away from its high. Therefore, it is likely that the S&P 500 will exceed its January high this week. This is likely to be followed by a corrective decline which will set the stage for a late year surge in which all of the major indices hit new all-time highs. Conversely, if the S&P fails to exceed 2,872 this week, then a sharp decline is likely to retest the April lows. Whether you believe in the validity of Fibonacci or not, it is interesting how this is occurring around a date that was pegged months in advance.

The markets appear to be set up for a "Bear Trap" that lures investors off the sidelines to push the markets higher before another steep decline occurs. If you are planning to retire soon or are recently retired, then it is important not to chase this market. It is important to stay on your plan. If you do not have a financial plan, then our retirement spending worksheet can help you identify your retirement needs and is part of our B.E.L.I.E.V.E. Wealth Management process. I encourage you to share the benefit with your family and friends to learn how our no-obligation consultation could be the first step toward your retirement goal. Please call our office or email info@summitasset.com.

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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 McClellan Oscillator is a market breadth indicator used in technical analysis by financial analysts of the New York Stock Exchange to evaluate the balance between the advancing and declining stocks.

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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.

Precious metal investing involves greater fluctuation and potential for losses.

Past performance is no guarantee of future result.