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| |  | | --- | | February 24, 2012    Dear Investors:    It was an interesting week on Wall Street as the markets appeared to be marking time and waiting for the next Fibonacci phi mate date.  The holiday-shortened week posted the lowest average daily volume of the year.  The demand for stocks seems to be dwindling as suggested by a relatively low S&P demand power measure of 385.  The weak demand is allowing the markets to move higher because of the even lower S&P supply measure of 350.  A strong bull market would have a demand power over 425. Over the last few weeks, there have been many disappointing data points, such as worse than expected retail sales, durable goods and fourth quarter GDP growth, but investors remained optimistic.   Over the next three weeks, there are more data points coming out that will coincide with the Fibonacci phi mate date. Investors could cite these points and use them for a market reversal.    The Dow Jones Industrial Average added 33.08 points, or 0.3%, this week, to close at 12,982.95, and is up 6.3% for the year.  The S&P 500 Index gained 4.51 points, or 0.3%, this week to close at 1,365.74, and is up 8.6% so far this year.  The Russell 2000 declined 1.76 points, or -0.2%, to finish the week at 826.92, and is up 11.6% this year.  The NASDAQ Composite was up 11.97 points, or 0.4%, this week to close at 2,963.75, up 13.8% this year.    Much of the media hype this week was focused on the DJIA closing over 13,000. Although it traded over that psychological mark on an intraday basis, it has yet to finish the day over that level since May 19, 2008.  However, the most significant news on a technical basis was that the S&P 500 closed over its April 29, 2011 mark.  The broad market index has not surpassed its intraday high from last year, but it appears that it will.  The new higher high suggests that longer term prospects for the markets may be improving. However, it is important for the next leg down to stay above its previous low of 1,099.00 set on October 3, 2011 to validate this premise.  Therefore, it looks as though the next wave down could bring the markets about 20% lower.  I know many are thinking that this cannot happen because the economy is much better now than it was in October, but it really is not.  Last fall, much of the hype was about an improving fourth quarter and a strong holiday shopping season.  However, the data did not show strong retail sales data in December and the first estimate of the fourth quarter GDP came in at 2.8%, well below the 3.2% that economists were expecting.  Even more alarming is that the weaker than expected critical data points came in during a period of declining gas prices.  The national average for a gallon of gas went from $3.45 in October to about $3.25 in mid December.  During the first quarter of 2012 so far, the average price of gas has risen 15% to 20%. This will adversely impact first quarter consumer spending and consequentially GDP growth.    An efficient market seeks balance, in both price and timing.  The last leg down lasted just over five months from April 29th to October 3, 2011 but if the markets reverse course on or about the next Fibonacci phi mate date of March 7th then this leg up will have lasted just over five months. Again, this is not definite or guaranteed in any way, but there are several other model turn dates that appear within the first three weeks of March that should not be ignored.  The large price move that the McClellan Oscillator was suggesting last week occurred on an intraday basis on Thursday when the Industrials were up over 120 points, but they failed to hold that mark and closed the day up 46 points to close at 12,984.  There are conflicting technical indicators suggesting that a choppy sideways market could occur until the markets peak some time in the next week or two.    Since we are in the middle of tax season, there is no better time to re-evaluate your portfolio to take advantage of the opportunities given to you by the Internal Revenue Code.  If you are paying the Alternative Minimum Tax, there are ways to reduce it for 2012 but you must be proactive.  When is the last time that you, or a loved one, reviewed your wills?  The State of New Jersey still imposes a hefty estate tax on individuals with an estate of more than $675,000. This can be significantly reduced or eliminated with proper planning.  If you do not have a formal financial or estate plan, now is the time to start.  Hope is not a plan and denial can be very costly.  If you would like to learn more about how we can help you B.E.L.I.E.V.E. in your financial or estate plan, please contact our office for a complimentary no-obligation appointment.    If you have any questions, please do not hesitate to call.  Our mission is to be your trusted financial professionals dedicated to delivering a high level of service to enhance your lifestyle and provide peace of mind.    Best Regards    **Vincent Pallitto, CPA, CFP®**  Certified College Planning Specialist  Summit Asset Management, Inc.  [www.summitasset.com](http://www.summitasset.com)  973-301-2360  973-301-2370 Fax  A branch office of, and securities offered through LPL Financial  Member FINRA SIPC    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 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.  There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. 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