June 3, 2016

Dear Investors,

Last week, the Dow Jones Industrial Average and the S&P 500 Index jumped over 2% higher. This week, the markets opened sharply lower every day only to rally back close to, even, or slightly higher, for the day. On Thursday, the S&P 500 Index closed at its highest point of the day which was higher than its April 20th high. It is interesting to note that the last two high points for the S&P occurred at the closing bell and could not follow through on the subsequent day. Despite the sharp intraday moves this week, the trading volume remained lower than normal. The volatility index remains near its low for the year, which is a sign of investor complacency. The markets have moved higher due to the lack of selling, rather than investor demand, which is necessary for bull markets.

The S&P 500 Index ended the week unchanged at 2,099.13, adding only 0.07 points this week, and is up 2.7% this year. The Dow Jones Industrial Average slipped 66.16 points, or -0.4%, this week to close at 17,807.06, and is up 2.2% this year. The NASDAQ Composite was also virtually unchanged, closing 0.2%, or 9.02 points, higher this week at 4,942.52, and is down 1.3% this year. The Russell 2000 was the biggest percentage gainer of the week adding 1.2%, or 13.69 points, to close at 1,164.14, and is up 2.4% this year.

The surge in small cap stocks may be attributable to the possibility of prolonged low interest rates. Two weeks ago, a June interest rate hike seemed inevitable. However, after a dismal May Jobs Report, many pundits believe that a June rate hike is off the table. The Department of Labor announced that only 38,000 jobs were added to the economy last month and significantly revised down the March and April numbers by 59,000 jobs. The labor participation rate dropped to 62.4% and the unemployment rate dropped to 4.7%. The drop in the unemployment rate was due to nearly 500,000 workers who stopped seeking work. Remember, you must be seeking work to be considered unemployed. Last month, I discussed the fact that the April Jobs Report was much worse than expected due to the fictitious jobs added by assuming how many new businesses were created. In this month's report, they assumed that 224,000 new jobs were from newly created businesses. Again, this is a pure plug/hypothetical number with no basis in fact. Without the so-called "new business" jobs, the economy lost almost 190,000 jobs, which is more in line with the sluggish GDP numbers that we've seen. It is important to note that the Department of Labor's report is in stark contrast to the employment data released by ADP which showed 173,000 estimated new jobs in the private sector. The ADP estimate does not consider the government and other sectors. Both reports are flawed and outdated. Relying on these reports for monetary policy is dangerous.

Robert McHugh PhD, a well-respected technical analyst, looks at several market indicators for short, intermediate and long-term trends. His Primary Technical Indicator, which is his long term indicator, just changed to a sell sign on May 31st. The last change in his PTI was a buy signal in May of 2010. The last time that it generated a sell sign was on September 30, 2008. If this is accurate, then it confirms that last May was the market's peak and we could see a prolonged downward trend. You will notice that the PTI does not decipher the absolute market peak or bottom but does capture a large portion of a trend. The last market peak was October 2007 and the PTI did not generate a sell sign until a year later. Conversely, the market bottom was March 2009 and it generated a buy sign a year later.

The uncertainties facing the markets continue to rise so the downside risk of the markets is still much 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,

Vincent Pallitto, CPA, CFP®
Certified College Planning Specialist
Summit Asset Management, Inc.
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 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.