

July 22, 2016

Dear Investors,

There really is not much to say about the markets this week. They continued to move higher on declining volume to extend the parabolic rally from June 28<sup>th</sup>. Investors continue to ignore significant global events as if all of the world's uncertainties have been solved. The markets are moving higher based on lack of selling rather than demand to buy, and that is a significant sign of a market top. There is another Fibonacci phi mate cluster this week between July 26<sup>th</sup> and July 29<sup>th</sup>. Although this is a small cluster, the mathematical relationships of the previous dates that make up this cluster were for market peaks. The next Fibonacci phi mate turn date is at the end of August and could mark the bottom of the next decline. From a wave mapping standpoint, this phi mate turn date would balance out the previous four week rally if the markets decline over the next four weeks into the end of August.

The Dow Jones Industrial Average added 54.30 points, or 0.3%, for the week to close at 18,570.85, and is up 6.6% this year. The S&P 500 Index gained 13.29 points, or 0.6%, this week to close at 2,175.03, and is up 6.4% this year. The NASDAQ Composite jumped 70.57 points, or 1.4%, this week to close at 5,100.16, and is up 1.8%. The Russell 2000 gained 7.58 points this week, or 0.6%, to close at 1,212.89, and is up 6.7% this year.

It was a relatively quiet week for economic data. The most significant data was June's housing data which showed that housing starts, building permits, and existing home sales were in line with, or slightly better than, reduced expectations. Most corporate earnings were in line with, or better than, expectations. However, it is important to remember that most of the expectations were lowered over the previous months. Fundamentally, the markets remain over-priced.

When the markets were in an apparent free fall this past February, I wrote that a multi-week rally would reverse the downward trend. It was important then to resist the temptation to sell and, in fact, to become a buyer. Now, it is important to resist the temptation to chase the market. The markets are now up about 6% for the year, or almost 17% from their lows five months ago. The downside risk, which often wipes out weeks' gains in mere days, is far greater than the upside potential.

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](mailto: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](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](http://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.*