October 5, 2018

Dear Investors,

It was a volatile week on Wall Street that began with the markets surging higher on the news of a new trade agreement with Canada. The major market indices surged higher into the Wednesday, October 3rd close. On Thursday and Friday, investors seemed to turn their focus to rising interest rates that ignited a selling frenzy one day after the projected Fibonacci phi mate turn date.

After surging more than 370 points to a new all-time high, the Dow Jones Industrial Average ended the week virtually unchanged. The Dow slipped 11.26 points to close at 26,447.05, and is up 7.0% this year. The S&P 500 Index soared to just short of its all-time high before finishing the week down 28.41 points, or -1.0%, to close at 2,885.57, and is up 7.9% this year. The NASDAQ Composite plunged 257.90 points, or -3.2%, to close this week at 7,788.45, and is up 12.8% this year. The Russell 2000 was hammered this week losing 64.46 points, or -3.8%, to close the week at 1,632.11, and is up 6.2% this year. The price of gold rose by $10.50 to finish the week at $1,206.70, and is down 7.5% this year.

The economic data was optimistic this week, capped off by the October Jobs Report. The Department of Labor stated that 134,000 jobs were added to the economy last month, well short of the 185,000 jobs that were expected. However, the inaccurate survey revised new August jobs from 201,000 to 270,000, which is a 35% increase. The unemployment rate dropped to 3.7%, which is its lowest level since 1969. Meanwhile, wages grew at a rate of 2.8% on a year over year basis. This data spooked investors as the yield on the 10-year Treasury rose to 3.24%, its highest level since 2011. The 2-year Treasury yield rose to 2.89%. This flattening of the yield curve and possible inversion (where the long-term rate is lower than the short-term rate) often signals an impending recession. Recent comments from the Federal Reserve Chairman have led investors to think that the Fed is moving too quickly with its rate raising and tightening policy.

From a technical aspect, the large bearish divergence along with the sharp move lower in the last two days generated new sell signals among all four major indices. It is interesting that the sell signals came after the Dow hit a new all-time high and the S&P 500 fell within a point of its all-time high. The NASDAQ peaked on August 31st and the Russell 2000 peaked two weeks ago. If this is the beginning of a major correction, a decline of 10%-15%, then we could see another surge higher into the end of the year.

Many of our clients are surprised at their projected tax savings for 2018. It is contrary to what you have probably heard or read, but a recent article on NJ.com stated that only about 10% of NJ taxpayers are expected to pay more in federal taxes in 2018. Therefore, it is a great time to be proactive. Follow us on Facebook for weekly tips and insights. Please call our office or email info@summitasset.com to set up an appointment to see how you may benefit from the new tax law.

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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 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.

Precious metal investing involves greater fluctuation and potential for losses.

Past performance is no guarantee of future result.