

August 17, 2018

Dear Investors,

It was a very interesting week on Wall Street. After falling over 465 points in six trading days since the August 7th high, the Dow Jones Industrial Average recovered most of those losses on Thursday with extraordinarily high summer trading volume. The Dow's second largest point gain since April continued on Friday on much lower volume. Why is this significant? When the S&P 500 retested its January high earlier this month, it was 9 points shy of its high water mark, but the Dow was more than 1,000 points away from its January high. The markets could be setting up for another test in which the S&P and Dow are both much closer to their January all-time highs.

The volatile week ended with the Dow Jones Industrial Average surging 356.18 points, or 1.4%, this week to close at 25,669.32, its highest level since January, and is up 3.8% this year. The S&P 500 Index added 16.85 points, or 0.6%, to finish the week at 2,850.13, and is up 6.6% this year. The NASDAQ Composite slipped 22.78 points, or -0.3%, to close at 7,816.33, and is up 13.2% this year. The Russell 2000 added 6.15 points, or 0.4%, to close this week at 1,692.95, and is up 10.2% this year. Gold plunged to a point that appears to be selling capitulation by losing \$27.40 this week to close at \$1,191.80, and is down 8.7% this year.

This week's surge was based on talks between the U.S. and China that could possibly limit the impending tariffs. After the election of President Trump, the markets surged higher based on tax reform. Last year, the markets surged higher each time the new tax law got closer to being passed. The potential for corporate earnings to surge based on a lower corporate tax rate was the catalyst. The projected growth in corporate earnings of the S&P 500 was 30% - 40% through the first quarter of 2019. Last week, the S&P reported that the first quarter earnings of 2018 were more than 2% lower than projected, the second quarter estimate missed its projection by more than 4%, and the projections for the third and fourth quarters of 2018, along with the projection for the first quarter of 2019 were each lowered by 6%. The report is still projecting about a 20% increase which is very good but is still well off the expectations that investors anticipated to push the markets to all-time highs.

From a technical aspect, the markets appear to be setting up for another test of the January highs. If S&P 500 breaks above 2,872, then a strong surge higher where all of the major indices peak at the same time is likely. If the markets test the January highs for a second time and fail to exceed them, then it would represent a seven month double top which is extremely bearish. The Relative Strength Index for both the S&P and Dow is neutral, which further complicates the matter. Lastly, light summer volume can create amplified market moves. If the S&P breaks above 2,872 then computer buying may accelerate an upside move.

Do you have money sitting in a previous employer's 401(k) plan? If so, then you may want to consider taking control of your retirement assets. Gathering your assets in one place is the first step to identifying and building a financial plan. Once you have a plan, it is important to stay on course. If you do not have a financial plan, then our retirement spending worksheet can help you identify your retirement needs and it is part of our B.E.L.I.E.V.E. Wealth Management process.

I encourage you to friend us on Facebook for timely financial tips and 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.