July 29, 2016

Dear Investors,

Investors pushed the markets about 3% higher in the month of July. July was challenging for the markets from a fundamental and technical basis, but investors ignored the mounting declining data and global economic uncertainties. Also, the effect of BREXIT seems to have been dismissed. The fact that many companies have met lowered earnings expectations does not seem to be important. Investors seem to be immune to the uncertainties of global terrorism that would have rocked the markets in the past. Most importantly, investors seemed to have ignored declining economic data. Despite all of these uncertainties and warning signs, the markets have enjoyed one of their best month's performances in years. The unexplained rally seems to have run out of gas this week in the middle of a Fibonacci phi mate cluster that was created as a function of other market peaks.

The Dow Jones Industrial Average lost 138.61 points, or -0.75%, for the week to close at 18,432.24, and is up 5.8% this year. The S&P 500 Index slipped 1.43 points, or -0.1%, this week to close at 2,173.60, and is up 6.3% this year. The NASDAQ Composite jumped another 61.97 points, or 1.2%, this week to close at 5,162.13, and is up 3.0% in 2016. The Russell 2000 added 7.05 points this week, or 0.6%, to close at 1,219.9, and is up 7.3% this year.

With the exception of housing data this month, which was mostly in line with expectations after missing expectations for prior months, most of the data this month was weaker than expected. This week, we learned that June's durable goods orders were down 4%. But the most significant data point of the week was a much lower than expected second quarter GDP estimate, which seemed to have no effect on the markets. The pundits were expecting the economy to grow at a rate of 2.6% last quarter but the first estimate showed only a 1.2% growth rate. The experts were off by more than 50%! This data came on the heels of the Democrat National Convention where President Obama and many speakers were touting their accomplishments over the past eight years. At this level, our nation's debt to GDP ratio is dangerously high. In layman's terms, the country would probably not qualify for a mortgage.

Over the past nine years, I have been writing market analysis letters for my clients and prospects. The quantitative easing policies and low interest rates have inflated the markets. The Federal Reserve and the current Administration were hoping that their spending and policies would stimulate the economy to support the market valuations. It simply has not happened. Hope is not a financial plan and it certainly is not a monetary policy. The numbers do not lie. There have been opportunities for the Fed to raise interest rates, but the government cannot afford it. The national debt significantly increased under the Bush Administration to just under $10 trillion. It is now just under $20 trillion. The current Administration added more debt than ALL of the previous Administrations in history. Despite all of the spending, the economy is not growing at a healthy rate. We have the lowest labor participation rate since the 1970s, the lowest home ownership percentage in more than 50 years and median income is lower than it was eight years ago. All of this data contradicts the monthly Jobs Reports. This is the most important election in history, and whoever wins will inherit a financial atom bomb. By simply stating the facts, you become political. I wish that one pundit, commentator or journalist would ask the candidates to point to a time in the last 50 years where increased government spending stimulated economic growth. The economy was strongest under President Reagan when he cut taxes and when President Clinton cut government spending and reduced taxes. Clinton was also the beneficiary of immense corporate spending to be Y2K ready. That was a once in a lifetime event.

Just about every decade, there is a significant market decline. In 2010, when it looked like the economy was going to suffer a double-dip recession, the easy money policies of the Federal Reserve prevented, or should I say deferred, it. The current market bubble is bigger than any previous bubble and, unfortunately, all bubbles will eventually burst.

August may be a very difficult month for the markets. July looked as though it was going to be rough, but it was not. Now the markets are extremely overbought by many measures. We will get the August Jobs Report on Friday, which I suspect will be about half of the July number because summer hiring was in the July report. I will not be writing a market letter until August 26^{th}. That is within the window for the next Fibonacci phi mate turning date, which should be the bottom of a corrective decline. 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,

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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.

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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.

Past performance is no guarantee of future result.