

## Peak View August 2017

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With the stock market bumping up against new highs and having risen 20% since the presidential election, investors have gotten very complacent and just expect the market to continue rising. Although corporate earnings have been solid and the economy appears to be in decent shape, the reality is that the market is long overdue for at least somewhat of a pullback. Seldom has the market gone this long without at least a 5-10% correction. The longer it takes for the market to experience a pullback the more difficult it will be for investors to accept this when it does occur. It is difficult to watch the value of your investments fall but market declines are part of the investment cycle and historically recoveries have followed downturns.

It is very easy for investors to lose sight of their long term investment goals during market declines. Research has shown that losses feel twice as bad as gains feel good. Abandoning a well thought out long term investment plan during a market decline to reduce losses could also result in losing out on gains when stocks recover.

The table below, shows the frequency of stock market declines of varying degrees, the average length of the decline and when they last occurred. Investors need to accept declines as a normal part of the investment cycle.

### ***A History of Market Declines***

*Dow Jones Industrial Average 1900-2016*

<b><i>Size of Decline Last Occurrence</i></b>	<b><i>Average Frequency*</i></b>	<b><i>Average Length</i></b>
-5% or more June 2016	About three times a year	47 days
-10% or more February 2016	About once a year	115 days
-15% or more October 2011	About once every two years	216 days
-20% or more March 2009	About once every 3 1/2 years	338 days

\* Assumes 50% of lost value

*Source - The American Funds*

You should maintain a diversified portfolio and not try to time the market. Although investors have been handsomely rewarded over the long term, sometimes the ride is not smooth. But investors need to avoid making decisions that could jeopardize their long-term investment goals. After a fairly uninterrupted rise the past few years it is easy to come to expect it to continue indefinitely. When the market gets a little bumpy and the headlines make it seem like the world is coming to an end, ignore the noise and stay focused on your goals.

**Best Regards,**  
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