

## Market Commentary February 6, 2018

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### **Recent Stock Market Selloff**

Following a gain of 22% in 2017, the stock market promptly rose another 7 1/2% in the first 3 1/2 weeks of 2018. Then, out of seemingly nowhere, the market has given it all back in just a few short trading days.

I think investors first, need to put the recent market selloff in perspective. Since 1900 the stock market has declined 5% or more about three times a year, 10% or more about once a year and 15% or more about once every two years. In the past two years the stock market has not declined 5%, even once. It has gone up steadily, without interruption for two straight years. No one should really be surprised that the stock market finally experienced a correction. The market is back to where it began the year. Unfortunately, declines are much quicker and violent than market rises, which can be very unnerving.

Although interest rates have begun to rise, which is usually unfriendly to the stock market, most other economic indicators are still positive. Over half of the fourth quarter company earnings that have already been reported have exceeded analysts' expectations. The reduction in the corporate income tax as a result of the new tax bill should help propel corporate earnings further in 2018, and the economy is growing at a healthy rate. Has anything really fundamentally changed from a few weeks ago?

The financial media magnifies the market decline with its incessant over-reporting, and far too many people check the market on their smartphones every fifteen minutes. In my view the best thing to do is nothing. Try to ignore the noise, stay true to your investment plan, and realize that market declines are part of stock market investing. Simple but not always easy.

Best Regards,

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