

## Market Commentary May 13, 2018

May 13, 2018

### **A Catch Up Year for Stocks**

The stock market gained 12% in 2016 and 22% in 2017. So far this year amidst all of the volatility, the stock market is essentially flat for you year. Up one week, down the next, much like a roller coaster where the ride ends up where it started, the stock market this year is just about where it ended 2017.

Although most of the companies in the S&P 500 have reported first quarter earnings that exceeded analysts' expectations, the market has not responded and seems to be shrugging off positive economic news. After five years where the stock market has enjoyed considerably better than average returns and was probably a little ahead of itself, 2018 so far has proven to be a "catch up" year. Higher earnings and unchanged stock prices translates to lower valuations. Although stocks haven't done much this year, they are now more attractively valued than they were 6 months ago. Investors have definitely gotten spoiled over the last few years and now, as the market takes a little breather in the context of good earnings and positive economic news it is not necessarily a bad thing. It is keeping stock prices from getting too stretched and still makes them a more attractive choice over bonds.

### **Race to a \$1 Trillion Valuation**

Currently, three U.S companies have been inching closer to a total market capitalization of \$1 trillion; Apple, Amazon and Google's parent company Alphabet. Total market capitalization of is the total value of all of the shares of a company outstanding multiplied by the current stock price. In the past week Apple shares have moved higher, closing at \$188.59 per share on Friday. The recent increase was fueled by both by a positive first quarter earnings report and and the announcement that Warren Buffet recently increased his investment in Apple making it the largest single investment in Berkshire Hathaway's portfolio, Apple shares are now less than 10 points away from making it the first company valued at \$1 trillion. At that valuation, Apple is bigger than entire GDP of many small countries like the Netherlands, Sweden, Saudi Arabia, Switzerland and Norway.

### **GO CAVS!**

Best regards,

James Onorato  
President  
Summit Capital Inc.

Phone (216) 539-8444  
Email [jim@summit-capital.com](mailto:jim@summit-capital.com)  
[www.summit-capital.com](http://www.summit-capital.com)