

Market Commentary July 2018

July 5, 2018

The first half of 2018 has been a roller coaster ride for the stock market. A blockbuster beginning was offset by a correction. And now investors look forward to seeing how uncertainties around trade and the midterm elections will play out.

While fear and volatility have kept plenty of investors on the sidelines, some analysts we follow say many are missing the larger picture. Some reassuring messages suggest the market should be just fine - at least over the next six months.

The rise we have experienced in the stock market so far this year has been predominately the result of the rise in the so called FANG stocks: Facebook, Amazon, Netflix, Apple and Google. If you owned these stocks your portfolio has done OK this year. Most everything else has been flat or slightly negative.

The economy however, after a 9-year expansion, is still in good shape according to major market indicators. Homebuilder sentiment and consumer confidence have risen, while jobless claims have declined to historic lows.

Because of cross currents including tariffs and trade war talk, the stock market has under performed the economy. With earnings rising faster than stock prices, stocks are currently valued about where they were following the 2016 election. As economic fundamentals remain strong, the underlying momentum could fuel a further rise in the stock market.

Simple Timeless Advice

I have recently been reminded that handling your money and financial life really comes down to a few basics which I believe lead to an unparalleled quality of life. Those basics are:

1. Spend less than you earn
2. Avoid the use of debt
3. Save and invest regularly
4. Set long term goals
5. Give generously

These five basics of handling money developed into habits and practiced over decades, leads to a quality of life that is much easier to experience than describe.

Best regards,

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