

## Market Commentary September 2018

September 7, 2018

Although gains in the stock market so far this year are bit more modest than the past few years, stocks continue to push forward. Despite all of the daily headlines and continuous acrimony in Washington, overall the economy is still in quite good shape. Stocks are actually trading at slightly *lower* valuations today than they were at he beginning of the year. Although stocks have moved higher this year, corporate earnings have grown at an even higher rate.

Historically, the stock market is usually quite good at forecasting future economic events in advance, both good and bad. Currently, the market is not trading like it is anticipating a trade war, despite an occasional short-term reaction to a daily headline.

The current bull market has now been clipping along for over nine years with many skeptics saying it just cannot continue. Although a 5-10% pullback can occur at any time, and we are probably overdue for one, stocks overall are still reasonably valued especially compared to the level interest rates on bonds and CD's.

### **The New American Economy**

Last month Apple became the first U.S company to cross *\$1 trillion* in market value. Tuesday, Amazon became the second American company to cross that once-unimaginable line. At a net worth of *\$167 billion*, Jeff Bezos, founder of Amazon, is now worth nearly as much as Bill Gates and Warren Buffet put together.

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**

But what I really find amazing is that the top five American companies, ranked by market value, have not even been in existence all that long. Below is a list of the top five American companies and the year they were founded.

	<b>Company</b>	<b>Year Founded</b>
1.	Apple	1977
2.	Amazon	1994
3.	Microsoft	1975
4.	Google	1998
5.	Facebook	2004

Three of these companies are younger than both of my kids.

To put this in even better perspective, the top 4 of these companies (excluding Facebook) are each 4 times the valuation of Proctor & Gamble, founded in 1837, and 20 times the value of General Motors founded in 1908.

The world has indeed changed.

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)