

## Monthly Commentary July 2019

July 18, 2019

### **New Market Highs But Little Headway**

Last week, on July 11, the Dow Jones Industrial Average crossed 27,000 for the first time marking a new all time high for the stock market. Although the market has posted very good returns in the first half of 2019, it has been quite volatile over the past year and a half and really has not made all that much progress. The DJIA first crossed 26,000 on January 16, 2018, eighteen months earlier. The 1,000 point rise is only a gain of 3.85%. So you are not alone if you feel like your portfolio hasn't made a lot of headway in the past year and a half. The financial news, as it does so well, puts a different spin on things.

With interest rates still at very low levels and company earnings overall coming in a little better than expected, I would characterize the stock market as fairly valued. What that means to us is that it would be unrealistic to expect future returns to match what we have seen in the past several years, yet it is still a superior long term investment when compared to the returns available on bonds and other fixed income investments. Investors should stay with their current allocation.

### **The Ever Increasing National Debt**

The National Debt, which is the cumulative total of each year's budget deficit, has been soaring. When Barack Obama took office the national debt was \$10 trillion. Eight years later, when Donald Trump took office it had doubled to \$20 trillion. Today, two and a half years later, the national debt stands at \$22.5 trillion. The Treasury has to pay interest on this growing amount, currently about \$400 billion

annually. It would seem unlikely that the government could allow interest rates to rise very much from here since it would increase their own interest expense.

Now, once again, Congress needs to raise the debt ceiling to avoid a government shutdown. That would be like you or I continually maxing out the limits on our credit cards and simply requesting a credit line increase and the banks being foolish enough to raise them. If we conducted our personal lives like the US Government we would all be filing for bankruptcy. We hear Congress occasionally and casually talk about addressing the National Debt, but it is time for Congress to stop fooling around and get serious.

Best regards,

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