

Monthly Commentary September 2019

November 26, 2019

A Year To Give Thanks

Despite impeachment hearings, recession worries and on and off trade talks with China, the stock market is at an all time high rising more than 20% so far in 2019. A sharp contrast to a year ago when the stocks were plunging in the fourth quarter. Corporate earnings overall have been good, with 75% of companies reporting third quarter profits that exceeded analysts' expectations. The modest growth in corporate earnings this year, however, doesn't even come close to matching the 20% rise in the market, thus stocks are now somewhat highly valued when measured against the long term average. Bonds have also done well this year as lower interest rates have boosted bond prices helping balanced portfolios to also post admirable gains.

With both stock and bonds posting above average returns, investors need to lower their expectations for the future. The returns that we have enjoyed this year are clearly not sustainable. That doesn't necessarily mean changing your mix between stocks and bonds but rather re-balancing your portfolio to it's original allocation. For example if the mix that you had originally decided on was 80% stocks and 20% bonds and with the strong market this year it is now 85% stocks and 15% bonds, you should trim your stock holdings to bring it back to the

original 80%. You are not trying to time the stock market but rather bringing your portfolio back in line with your original plan.

With this year's rise in both stocks and home values, analysts estimate that Americans' net worth is on track for a 10.4% gain from a year ago. That should inspire gratitude even in these contentious times.

We wish you and your family Happy Thanksgiving.

Best regards,

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