

Monthly Commentary January 2020

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A Banner Year For Stocks

Stocks closed out one of their best years of the past decade defying pundits, who at the beginning of 2019, expected the bull market to be upended by threats from the U.S - China trade fight and a slowdown in growth.

Just 12 months ago, the mood was far dimmer. The global economy was weakening, stocks, bonds and commodities were falling in tandem and investors were worried that interest rate increases would turn an economic slowdown into a protracted downturn.

Fast forward to the end of 2019 and U.S stocks were up just over 30% for the year. However, when you average the -4.65% returns that stocks posted in 2018 along with 2019, the average return for the two years was a much more modest 11.84% per year. Investors that were scared out of stocks a year ago and missed the recent gains are now regretting it. Trying to time when to get in and out stocks is virtually impossible.

Although stocks today are somewhat richly valued by historical measures, they are nowhere near the frothy levels of the late 90's. Investors certainly shouldn't expect a repeat of 2019, but stocks could continue to grind higher.

Despite the uncertainty of an election year and a trade deal with China that is still pending, the U.S. economy is still in pretty good shape. But keep in mind that stocks have not had any type of significant pullback in over a year and a 5-10% pullback is long overdue and could occur at any time. The only thing to do is to

reassess your mix of stock and bonds, re balance your portfolio to your selected allocation, turn off the financial media and focus on other things.

Simple but not easy.

Wishing you a prosperous and healthy New Year.

Best regards,

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