

## January Commentary

January 13, 2021

Jack Bogle, the founder of Vanguard Investments, told CNBC in 2018 to:

*"Stay the course, don't let these changes in the market, even the big one [like the financial crisis] change your mind and never, never, never be in or out of the market. Always be in at a certain level."*

These past 12 months illustrate why trying to time the market is extremely difficult for even the most seasoned investor.

From January to March of 2020, the S&P 500 Index dropped about 35% during the early stages of the coronavirus. Since March, the S&P 500 Index has recovered its losses and set new record highs. If you tried to time the market, you likely missed the rapid recovery.

Our experience over the past three decades is that being out of the market, even for a short time, can negatively impact your returns. With interest rates at historical lows, a good rule of thumb for retirement is to keep 1-3 years of living expenses in a mix of cash and bonds with the rest of your portfolio in stocks. Markets will usually recover within two years of a recession or crisis, and you should be able to ride out the rough patches by "staying the course."

### Is Tesla a Bubble?

In the past year, Tesla has risen 10-fold from a split adjusted price of \$72 to \$849. Last year, Tesla sold approximately 500,000 cars. GM & Ford together sold about 13 million cars over the same period. However, Tesla's market valuation is now **eight times** greater than the value of GM and Ford **combined**.

Tesla is a company with very innovative technology founded by a visionary that revolutionized electric vehicles. However, it is hard to justify the stratospheric valuation of Tesla especially when many of the carmakers around the world are introducing their own electric cars this year. We will see if the market believes Tesla is overvalued, or if it becomes a leader in electric cars and batteries and soars to new levels.

We want to wish you and your families a safe and happy New Year!

Best Regards,

Jim Onorato & Dave Yormick

Jim Onorato

E: [jim@summit-capital.com](mailto:jim@summit-capital.com)

C: (440) 725-3864

David Yormick

E: [dave@summit-capital.com](mailto:dave@summit-capital.com)

C: (216) 849-8753

[www.summit-capital.com](http://www.summit-capital.com)

W: (216) 539-8444