

June Commentary

June 1, 2021

With over 50% of the US adult population currently vaccinated, and some polls predicting 70% of the US will be vaccinated by this summer, the country is beginning to get back to normal after the strangest fifteen months in our lifetimes. Restaurants are busy again and domestic flights are exceeding 2019 levels. Everyone needs to start living again, and the reopening seems to be gaining momentum quickly. When the pandemic first began in early 2020, we reacted to whatever news and recommendations were dominating the headlines at the time. It wasn't that the recommendations were necessarily right or wrong - no one really knew exactly how to deal with the situation. There was no playbook for how to navigate something like this. It now seems like we are now finally ready to move forward.

Just as it was difficult to navigate the pandemic, it may be difficult to predict how the economy will rebound from here. Americans have money to spend. After forgoing spending on travel, leisure and entertainment for the past fifteen months, coupled with a plethora of government stimulus and assistance, it is hard to bet against an economic rebound. The economic boom in the 1920's following the 1918-1919 pandemic may serve as a good example. America is resilient.

The stock market has performed surprisingly well throughout all of this. Following one of the sharpest declines ever in February and March of last year, the market has been rising ever since, with only very minor pullbacks. The stock market has always been a leading indicator, and it was looking beyond the pandemic and forecasting better times ahead.

Stocks now appear to be fully valued by historical measures, however against the backdrop of zero interest rates, they are not all that overpriced. For the past five years, the stock market has done extremely well led by a small group of very large technology stocks such as Apple, Google, Facebook, Amazon, Tesla, Netflix and a handful of others. This has finally begun to change as more companies in different industries are participating in the stock market advance. Throughout this past year and a half there has not been any significant corrections however. The market can experience a 5% -10% decline at anytime - and we are overdue.

Our view remains the same. Money that you anticipate needing over the next few years should be kept on the sidelines despite the low returns, regardless of what you think of the stock market, and keep the majority of the rest of your portfolio invested in a diversified stock portfolio. A simple strategy but not always easy to execute.

Summer is here, enjoy each day.

Best Regards,

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