

July Commentary

July 11, 2022

Is the Worst Behind Us?

Both the stock and bond market had a terrible first half of the year. It was the worst start of a year since 1970. Stocks were down about 20% and bonds declined 10%. The problem with bear markets is nobody knows when and how they will end. There are no clear signals when stocks have hit bottom and are ready to begin rising again. Also, in recent years, market fluctuations both up and down, seem to happen in much more compressed periods of time, as we saw in the first half of 2022.

Big stock downturns (as unsettling as they can be) are normal. Since 1950, the S&P 500 index has fallen more than 20% from its high on 10 different occasions. If we lump in five cases where it came within a fraction of that mark, America seems to go through as many bear markets as presidents. Although historically the stock market rises about 80% of the time, the declines can be fast and furious, as we have seen so far this year, which rattles investor confidence.

Although stocks can still get cheaper from here, they are trading at much more attractive valuations than they were six months ago. There are now plenty of good deals to be found among companies with healthy growth and decent dividends. This is not a time to flee stocks. Stocks outperform other asset classes over long periods because they represent growing businesses that virtually always reflect their true value over time. Short term returns, however, are anyone's guess.

There is no way to know exactly where the market will bottom. One thing is for certain, no one will know ahead of time.

Enjoy your summer!

Best Regards,

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