SUMMIT
CAPITAL
Investment Management

November Commentary

November 17, 2022

Investing in Volatile Markets

It has been a difficult year for both stocks and bonds. Stocks are off about 17% for the year. This is after recovering from lows set in October when the stocks were down 25%.

Bonds have suffered one of the worst bear markets in the past 30 years. For the year, bonds are down 14% and this is just a few percentage points above the October lows. It is very unusual that stocks and bonds decline at the same time, which makes this year an exceptionally difficult one even for investors with diversified portfolios.

When there is so much uncertainty and so much volatility, it is tempting to move to cash and try to time the markets. Research has shown that this is not a good strategy, and why we recommend to "stay the course" with a diversified portfolio of strong companies.

For example, if you invested $10,000 in the S&P 500 Total Return Index from January 2002 to January 2022, your annualized rate of return was 9.40%.

If you had missed just the 10 best days in the market, then your annualized return dropped almost in half to 5.21%. *If you missed the 20 best days in the market*, your annualized return was only 2.51%.

The stock market can change direction very quickly, and some of the biggest market advances occur at these turning points. Just this past month, the market increased about 13% from the October lows.

If you miss just a few of the up days, it can really depress your returns over longer periods. Keeping short-term money out of the market, having a diversified portfolio of solid companies, and staying in the market is a recipe for long-term success.

We want to thank you for trusting us with your investments, and we want to wish you and your families a wonderful Thanksgiving!

Best Regards,

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