SUMMIT CAPITAL
Investment Management

CLIENT UPDATE: October 2023

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Third Quarter Commentary

The stock market , as measured by the S&P 500, declined about 4% in the third quarter and has begun the fourth quarter in the doldrums. Although the S&P 500 remains up for the year, it is very misleading. Only seven stocks, Apple, Alphabet (Google), Meta,(Facebook), Amazon, Microsoft, Nvidia and Tesla have collectively accounted for almost all of the gain this year. Virtually the entire rest of the stock market is flat or down for the year.

Among the bearish recent headlines which affected stocks were the Federal Reserve's revised projections that interest rates will remain higher for longer than previously expected, the impending government shutdown and the United Auto Workers strike. Despite the negative sentiment, the economy remains robust however, with consumers continuing to spend and the employment rate is still healthy. The stock market rose significantly 2020 and 2021 during the height of the pandemic, which it probably never should have and appears to be now giving back some of those gains.

The economy created 336,000 new jobs in September, which was twice the expected number. Even at higher interest rates, the economy continues to show strength while prices have been dropping. The chance of avoiding a deep recession seems a stronger possibility as the economy continues to grow.

As difficult as it can be, these are times when it is best to tune out the headlines and stay committed to your long term investment plan rather than attempting to time the market. Successfully timing when to be in and out of stocks requires two correct decisions, getting out prior to a decline and then reentering the market before it begins to rise again, a virtually impossibility. The problem is that the market generally declines ahead of negative news and begins to rise again before things look brighter.

The fourth quarter has been the friendliest period for stocks historically with the S&P rising an average of 4% during Q4 since 1957.

Thank you for your continued support.

Best regards,

Dave & Jim

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