4.12.19

MARKETS REACH FOR HIGH ON SLOWER GROWTH!

Our portfolios were up 0.65% during the month of March, which represents 50% of the upside capture of the S&P 500 over the same timeframe. On Wednesday, March 20th, we increased our portfolio protection by purchasing an additional 15% of the ProShares Short S&P 500. This purchase helped to pave the way, ***when on March 22nd our portfolio experienced its largest one-day gain*** – occurring on the same day that the Dow Jones Industrial Average dropped a painful 460 points. Back in February, based on irrefutable evidence of slowing growth, we also purchased a series of laddered U.S. Treasury Bonds. The interest rate on a 10-year treasury at the time of purchase was 2.65%. On March 26th, with interest rates hovering around 2.41%, we exited two of our three treasury positions with those sales both seeing gains of between 1% and 2%. Our gold position (SPDR Gold Shares (GLD)) is offering additional support, as uncertainties in the financial system are again growing. Last, but not least, our temporary 45% position in the money market is offering stability at a time when interests rates have temporarily trended upward and risks are again increasing in the junk side of the corporate loan market.

Right now, we see a growing resemblance to last year's stock market between April and late September. During this timeframe, there were still lingering stimulus fumes from the tax cuts, much improved earnings expectations, and higher growth expectations. These hopes ran into a brick wall, which was followed by an almost 20% decline between September 20th and December 24th.

This year we have a comparable rally, but…

This time there are no tax cut benefits,
earnings are slated to be flat-to-negative,
and expectations for growth are quickly being ratcheted lower.

Speaking of earnings, the pharmacy market has become a bellwether indicator as virtually every major corner is occupied by a Kinney Drugs, a Rite Aid, a CVS, or a Walgreens. Walgreen's currently operates 9,650 stores in U.S. and plans to acquire more stores from Rite Aid over the coming months. In Walgreen's earnings release they reported that same-store sales were down 3.8%, quarterly earnings and revenue both missed expectations, and they lowered their forecast for 2019 in what CEO Stefano Pessina called the "most difficult" quarter since 2014. The stock's performance has been challenged since that same time period, experiencing enormous volatility and ultimately being without any returns going all the way back to February of 2014! ***If you thought this was a one-off event --- not so fast.*** Rite Aid's earnings failed to impress and that stock dropped 10% after reporting its quarterly results!

The U.S. services industry represents a 70% chunk of the economy and it is showing worrisome signs of deceleration. The U.S. Composite Services PMI reported a March decline from 55.5 down to 54.6, with the employment component falling to its weakest level since June of 2017 and the crucial ISM Services Index reported a much bigger decline, dropping from 59.7 to 56.1 which was the lowest level reported since August of 2017.

Last week, GM reported that first-quarter sales fell 7% from a year ago. Automotive sales represent a huge retail, economic, and consumer indicator. With annual vehicle sales coming in weak in January and just 16.5 million units sold in February (***a decrease of 8.3%!***), and even with a sales bounce back in

March – a rise to 18 million units – there were still year-over-year and quarterly sales declines for all of the major automakers except Honda!

***With so many key components, including housing, showing signs of stress,
it should be obvious that this has not been priced in to the current rally.***

Our in-depth research tells us that financial markets have been enjoying the late-to-extended innings of an enormous credit boom in both corporate and government spending. Much of this recent expansion has been in debt and has dwarfed actual economic progress, resulting in the extinction of what used to be a somewhat predictable and rolling business cycle, one that included flushing out poorly run companies and normal market volatility that typically featured up to two annual 10% declines as stocks readjusted to economic reality.

Business Cycle: *the natural downward and upward movement of GDP (Gross Domestic Progress) around its long-term growth trend. The business cycle typically shifts between economic growth (expansions or booms) and periods of stagnation or decline (contractions or recessions).*

Imagine never having to factor a recession into an economic model? It sounds nice but how realistic would that be? Think of today's upside-down stock market, one where challenged economic reports and declining profits are actually leading to higher stock prices! This is due to publicly-traded corporations tapping debt markets to buy back their own stock in greater and greater quantities. ***This is likely the single biggest driver in stock market returns this year!*** Why even pay attention to the actual business cycle?

Lastly, as our boxed-in central bank watch a near-bear market that featured a 16% decline in just three weeks in December, ***the Federal Reserve completely reversed course when it comes to applying some soft discipline to over-the-top risk in certain junkier parts of the debt market!*** If conditions are so good why would former Fed Chair, Janet Yellen, say that "the Federal Reserve might be able to help the U.S. economy in a future downturn if it could buy stocks and corporate bonds." To boot, Economic Advisor to the President, Larry Kudlow, says he wants the Fed to cut interest rates by 50 points immediately!

These are definitive signs that we NOT are in economic expansion!

With economics 101 thrown out the window, markets are relying on the Federal Reserve to reapply a "put" or backstop with the hopes that investors will never have to feel the ensuing pain of a poor investment decision that never included any risk analysis whatsoever. If you have put your full faith in the Federal Reserve, then it helps to listen to their words and on occasion read between the lines.

If anyone needed confirmation that we are at a market top look no further than the recent IPO for the ride-sharing service, Lyft! Here we have a company that is not even close to profitable and their President deflects the question of whether they expect to be profitable within five years with "We cannot talk about the future, but what we can tell you is that we have set ourselves up to deliver long-term shareholder value." With a slew of other IPOs waiting in the wings (Slack, Uber, Palantir, and Pinterest), it feels eerily similar to 1999. ***Lyft actually set a record for any company coming to the public markets with a whopping $911 million loss in 2018!*** On its opening day, the stock enjoyed a party-like atmosphere and was quickly up 20%!!! As of the writing of this letter, the stock is down more than 25% from its high and is trading ***below*** its initial public offering price! Ouch!

In the U.S., a more up-to-date report of manufacturing (PMI Manufacturing Index) fell by one point. ***This report showed the lowest rate of composite growth since the summer of 2017, the lowest production growth rate since the summer of 2016, and an easing in new order growth to a five-month low!*** Additional Eurozone concerns also hit the newswires on Monday morning, as sizable manufacturing drops in Germany, France, and Italy were revealed. To top it off, U.S. February Retail Sales fell 0.2%. In spite of all of this, the stock market pulled off a miraculous rally! Part of the rally may be attributable to end-of-quarter window dressing. Part may also be a result of the closing window for corporate stock buybacks, as the stock repurchase blackout period will come in to play near the end of the week, with many companies ceasing this activity two weeks prior to their first quarter earnings release, commencing in mid-April with big bank earnings (JP Morgan, Wells Fargo, Bank of America, Citigroup).

These are the types of unlikely scenarios that unfold when the faltering business cycle is overshadowed by massive debt, ongoing central bank dependencies, stock buybacks, and one-off stimulus like tax cuts.

In truth, these all represent identifiable risks to the system because none of these things would be needed in a fundamentally growing economy – and investors should be fully cognizant of them.

What these manipulations do is they simply reschedule or temporarily put off a recession – with the only question being "for how long?"

As always, we will continue posting articles that we believe to be of great informational value on our website, under the "Great Articles" tab, which is linked here:

http://summitplan.com/cgi-bin/htmlos.cgi/great_articles.html.

Additionally, the "Summit Planning Financial Hour" will be live this week on Radio 570-WSYR at 10AM on Saturday. Don't forget to tune in for a recap of the week's events. If you cannot tune in, check out our radio show archive on our website at http://summitplan.com/cgi-bin/htmlos.cgi/radio_shows.html.

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6. The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings. Commodities include increased risks, such as political, economic, and currency instability, and may not be suitable for all investors.
7. Because of their narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies.
8. Government bonds and Treasury bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value.
9. Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.
10. International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
11. The Dow Jones Industrial Average is comprised of thirty stocks that are major factors in their industries and widely held by individuals and institutional investors.
12. The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.
13. The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. The market value, the last sale price multiplied by total shares outstanding, is calculated throughout the trading day, and is related to the total value of the Index.
14. The Russell 2000 Index is an unmanaged index generally representative of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index.
15. CBOE Volatility Index is a measure of the implied volatility of S&P 500 index options, calculated and published by the Chicago Board Options Exchange (CBOE).
16. All indices are unmanaged and cannot be invested in directly.