9.10.18

NEUTRAL AND WAITING FOR OPPORTUNITY

Both major and minor stock markets around the world have had a difficult start to September, which could potentially extend well into the month. Our current equity exposure stands at a very conservative 2%. That low number, combined with a steady and stable core portfolio, allowed us to remain positive as market volatility swept back into stock markets in a major way. Probabilities remain high for a near-term 2% to 3% pullback as a number of key issues come to the forefront yet again. Due to the high level of compounding issues, ***the S&P 500 and the Dow are now largely without returns going all the way back to late January, which represents more than seven months without gains.***

Oftentimes what is lacking in many financial advisers is perspective, experience, and acknowledgment of risk. Our approach entails all of these important components which informs and forms the basis of our conservative approach to investing your life savings.

It is our job to pinpoint the impact that potential breakdowns throughout the global financial system could have on the preservation of your portfolio.

While we seek opportunity, we will often err on the side of protection when a number of risks begin to crowd the system.

It's true that global markets can frequently "handle" myriad pressures without buckling. Oftentimes, it is an outside element that can temporarily assuage a dangerous flashpoint. In our financial world, time and again that outside element has been a central bank making emergency adjustments to monetary policy. In many instances, a central bank will inject liquidity into the system, which acts as an enormous pain reliever without ever getting to the root of what caused the pain in the first place. ***Our own central bank – the Federal Reserve – is currently draining liquidity from the system.*** This is haunting many investors who were hoping that their stimulus would continue unabated. A case in point was Friday's National Jobs Report, which featured a substantial headline of 204,000 new jobs created in August. The number that investors latched onto was the sharp increase in wages which has the potential to create more inflation, in turn putting pressure on our Federal Reserve to potentially raise interest rates much higher than previously thought. Rather than going up on a strong jobs report number, stock markets in the U.S. wilted with the worry that accommodative monetary policy would become restrictive as the Fed marches on toward reaching their "neutral rate."

The risks at this juncture continue to fester. Oftentimes, periphery markets inform what will eventually leak into the core economies that temporarily look healthy or insulated, such as the U.S. markets. While a renewed tariff threat against China on Friday sent stocks down, the bigger question may be that if emerging nations around the world weaken due to currency difficulties (South Africa, Brazil, Venezuela, Argentina, Turkey) or suffer under the weight of overarching debt issues (China, Europe, Japan), how can our global companies remain insulated if we lose our competitive advantage and sales power due to an ever increasing U.S. dollar, which acts as a drag on our international exporting companies?

Hitting the point home…

This year, out of 32 highly crucial nation ETFs throughout the globe only Mexico, Taiwan, Norway and the U.S. are positive for the year!

As of Friday night, key markets like the China A Share ETF was down 22%, Germany was down 10%, Russia was down 10%, and Japan was down 5%.

Even with all of these stressors, stock markets have climbed back after early Februaries heady 10% decline and March's 7% decline. At this point, markets could go a bit higher with positive outcomes for Canadian tariffs, followed by a softening of European Tariffs, and culminating in a resolution with China over trade. The European Union and the United Kingdom continue their divorce proceedings and, if it looks like there will be a quick resolution, we could see relief in global markets. As we've said many times, if the Republicans prevail in the upcoming mid-term elections, watch for speedier policy measures to be implemented, making the stock market look attractive for more investment, not only from investors here but from the embattled global markets.

With our Federal Reserve gently removing part of its training wheels, it remains to be seen how a bevy other central banks throughout the globe react as they have their own meetings this week. For the ever-important bond market, we will be watching U.S. inflation reports on both producer prices paid and consumer prices. From the always important consumer demand side., we will be parsing through reports on consumer credit and national retail sales from August.

We are well aware of our need to produce higher returns for your portfolio. As markets align, for an upward thrust or downward momentum, we will be there for strategic opportunities. For now, we remain neutral and collect our dividends. As markets react to upcoming events, we will be there to take advantage.

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.

---

1. Securities and advisory services offered through LPL Financial, a registered investment advisor. Member FINRA/SIPC. Financial planning offered through Summit Planning Group, a registered investment advisor and separate entity from LPL Financial.
2. Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual.
3. The economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

4. All performance referenced is historical and is no guarantee of future results. Index performance is not indicative of the performance of any investment.
5. Investors FastTrack is the source for all quoted performance data.
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.