February 28, 2014

Dear Investors,

After establishing intraday highs during the first three days of the week and failing to close over its December 31st high on each of those days, the S&P 500 Index finally set a new closing high on Thursday. As I suggested last month, once the broad market index closed above last year's high then technical indicators were suggesting that the S&P 500 could rise to +/- 1% of 1,875 before this latest rally ends. As soon as the S&P set a new closing high, trading volume picked up. It appears that much of that trading volume was computer-generated based on the technical level. This weekend, the S&P 500 Index is at a new all-time high but the Dow Jones Industrial Average and Transportation Index are still below their respective year-ending values. Generally at major market tops, all of the major market indices set closing highs, which is another reason to suggest that the market could move higher into the March 6th Fibonacci phi mate turning date. However, significant geopolitical tensions in Ukraine could derail the technical trading path at any time.

The Dow Jones Industrial Average was the second largest percentage gainer of the week as it gained 218.41 points, or 1.4%, to close at 16,321.71, and is down 1.5% this year. The S&P 500 Index gained 23.20 points, or 1.3%, to close at a record high of 1,859.45, and is now up 0.6% this year. The NASDAQ Composite finished the week at another 13-year high as it gained 44.71 points, or 1.1%, to finish the week at 4,308.12, and is now up 3.2% for the year. Once again the Russell 2000 was the largest percentage gainer of the week as the small cap index gained 18.40 points, or 1.6%, to close at 1,183.03, and is up 1.7% in 2014.

I believe that the markets are in the process of setting a major market top. March 9th will mark five years since a major market bottom and although the banking system is more stable than it was five years ago and investors feel wealthier due to the inflated stock market, the economy is not strong enough to support these market valuations. The argument for bulls is that the markets are still "cheap" based on a multiple of corporate earnings. That may be true, but corporate earnings have come from cost cutting and job loss. The majority of retailers have seen flat or declining revenue/sales growth and that makes sense when the country has the lowest labor participation rate in over 30 years. The second estimate for the fourth quarter GDP came in at 2.4% growth, almost a third lower than its first estimate. Our shaky economy has been masked for about 4 years by the Federal Reserve's monetary policy but a slowing housing market along with weaker consumer data is not a formula for growth.

As tensions escalate in Russia/Ukraine and weakening economic data comes from China, the global economy is facing a great deal of uncertainty and risk. Just as the buying volume picked up when the S&P broke above last year's high, the trading volume on the sell side could explode higher creating a significant supply without matching demand and that could drive markets significantly lower as we approach a major market top.

If you, a friend, or family member is retiring soon then you should ask about our Retirement Spending Worksheet. This eye-opening worksheet is the basis for our retirement planning. Many people have the right amount of assets needed to retire but they do not have the proper investments to generate the income needed in retirement. The greatest fear facing retirees is outliving the income from their assets. It is our mission to educate you about your investment alternatives and to help you work toward your financial goals.

If you want to discuss your financial plan, asset allocation, tax strategies or would like a brochure on our B.E.L.I.E.V.E. Wealth Management process, please call my office.

Best Regards,

Vincent Pallitto, CPA, CFP®
Certified College Planning Specialist
Summit Asset Management, Inc.
www.summitasset.com
973-301-2360
973-301-2370 Fax
A branch office of, and securities offered through LPL Financial
Member FINRA SIPC