

February 21, 2014

Dear Investors,

Last week, I suggested that the markets looked poised to zig-zag higher in the coming days. The markets were closed for Presidents Day on Monday. They traded up on Tuesday and Thursday and traded down on Wednesday and Friday. This oscillating pattern may continue for a few more days as volatility increases. The McClellan Oscillator index is indicating that a large move is likely early this week. Since the S&P 500 Index has almost retraced the entire loss that it suffered from the beginning of the year to February 5<sup>th</sup>, it is likely that the broad market index will continue to move higher over the next two weeks. This wave higher is occurring on lower trading volume and may be the high for the year, as the technical and economic warning signs continue to mount.

It is unusual for the four major indices to move in different directions, but that is what happened this week. The Dow Jones Industrial Average ended the week down 51.09 points, or -0.3%, to close at 16,103.30, and is down 2.9% this year. The S&P 500 Index slipped 2.38 points, or -0.1%, to close at 1,836.25, and is down just 0.65% this year. The NASDAQ Composite finished the week at another 13-year high as it gained 19.38 points, or 0.5%, to finish the week at 4,263.41, and is now up 2.1% for the year. The Russell 2000 was the largest percentage gainer of the week as the small cap index gained 15.42 points, or 1.3%, to close at 1,164.63, and is now up 0.1% in 2014.

The major market indices broke through some critical support levels during the five-week decline. Trading volume has been lower on days that the markets move higher and the trading volume has been higher when the markets move lower. The next Fibonacci phi mate turning point is ideally estimated to be Thursday, March 6<sup>th</sup>. Over the years, the markets have made significant trend turns during the month of March. Most notable are the market peak in March of 2000 and the market bottom on March 9, 2009.

On the economic front, the data continues to come in worse than expected but investors are justifying the disappointing data due to the weather. January existing home sales fell 5.1%, the fifth drop in the last six months. New home construction fell 16% in January and new building permits fell 5% last month. It would be easy to blame the weather in the northeast for the disappointing data but when you actually read the reports, the significant declines did not occur in the northeast. All of the significant declines occurred in warm weather states. Apparently the Federal Reserve does not realize that it is difficult to buy a home with so many Americans out of work. In the last Jobs Report we had the lowest labor participation rate in many years. Without jobs many Americans are borrowing to make ends meet, which is supported by the highest credit balances since 2007. Finally, the spending crunch has hit the world's largest retailer, Walmart, as its fourth quarter profit fell by 21% and it is forecasting weaker sales going forward. Since 70% of our Gross Domestic Product is comprised of consumer spending, you would think if the largest retailer's sales were lower, then the GDP may be lower than expected.

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,

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*You cannot invest directly in a market index, market indices are for benchmark purposes. The information in this market commentary is obtained from various news sources, Stockcharts.com and [technicalindicatorindex.com](http://technicalindicatorindex.com). Fibonacci Phi Date (also known as Fibonacci Time Extensions) is a technical indicator used to seek to identify the timing of significant price movement in the market, and is based on the Fibonacci Number Sequence. The McClellan Oscillator is a market breadth indicator used in technical analysis by financial analysts of the New York Stock Exchange to evaluate the rate of money entering or leaving the market and interpretively indicate overbought or oversold conditions of the market. The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you consult your financial advisor prior to investing. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk. 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. All performance referenced is historical and is no guarantee of future results.*