

## CLIENT UPDATE: October 2025

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October 6, 2025

### Stocks Continue to Roll On

Following a 6% gain in the first half of the year, the stock market as measured by the S&P 500, tacked on an additional 8% in the third quarter for a 14% gain through September. Although the verdict is still out, so far, the Government shutdown and tariffs have not affected the market.

Although the gains in the stock market have broadened to include smaller companies, the Magnificent Seven big technology companies, Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla, recently made up nearly 40% of the S&P's market capitalization. That's the highest share on record. The value of Nvidia, with a market capitalization of over \$4 trillion, is higher than the value of the bottom 214 companies in the total S&P 500, *combined*.

By any historical measure, stocks are overvalued. and are overdue for a correction. Should investors sell their stocks, sit on the sidelines and attempt to get back in when the market has pulled back?

In late 1996, after the market had run up for several years, the then reigning Federal Reserve Chairman, Alan Greenspan, stated that the market was overvalued and exhibited "irrational exuberance." The market continued to rise for another three years before finally succumbing to the dot-com bubble of 2000. The future is unknowable and trying to cleverly time the market is an unwinnable game.

It is highly likely however, that after the runup the market has experienced over the past three years, returns will be lower in the future. Now is probably not a bad time to throttle back a bit on your equity allocation if your circumstances or time horizon have changed, and it is more prudent to have a larger percentage of your portfolio in fixed income investments.

Our position is that money needed to live on or have access to in three to five years should not be exposed to stocks. Broad diversification will likely continue to be investors' best defense against an uncertain future.

### Our Position On Bitcoin

Clients have asked us what we think about investing in Bitcoin. Unlike a company that provides goods and services and produces profits that can ultimately be valued, Bitcoin produces nothing, nor does it generate any income, making it impossible to value.

We view Bitcoin as pure speculation. Although it has risen dramatically over the last several years, it could continue to either rise or fall dramatically purely on the mood of investors.

Consequently, we have not, nor do we intend to recommend it for our clients' portfolios. There are publicly traded ETFs that invest in Bitcoin that can be held by Charles Schwab for clients that have requested us to include it in their portfolios.

Although we strive to meet with all of our clients on a regular basis, we are always available.

Thank you for your continued confidence and support.

Best regards,

Dave & Jim

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