

# Summit Financial, LLC

November 2018 Investment Newsletter

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## Monthly Summary

U.S. stocks recovered in November despite sharp price swings as investors reacted to the day's headlines. Technology and financial companies were hard hit, particularly those with a consumer focus. Investors shifted to defensive sectors such as health care and utilities as they digested signs the global economy is slowing. In the U.S., incomes and consumer spending are still rising against the backdrop of a healthy labor market but housing and construction has stalled, with home sales and prices falling over the past year. Although initial jobless claims are up, the number of jobs has been growing at a robust pace. Manufacturing has slowed globally and the ongoing tension between the U.S. and its trading partners has been a major cause of market stress. While an increase in stock market volatility may seem to be a warning sign, recent levels are in a normal range historically.

Year to date U.S. stocks are the only major asset class with a positive return. Emerging markets were the top performers for the month but remain in correction territory. Concerns over Brexit weighed on the European stock markets. Returns from fixed income and commodities were lackluster. Recent comments from the Federal Reserve suggesting the pace of interest rate hikes will be slower than expected were well received by the markets. However, the growing concentration of lower quality bonds vulnerable to rising interest rates and a weaker economy is raising alarm bells. Municipals were the strongest bond sector during the month, benefitting from a healthier credit environment than corporate bonds and a reduction in supply. The price of oil has been volatile in the face of geopolitical tensions, but most commodity sectors have been weighed down by growth worries.

## Economic Data

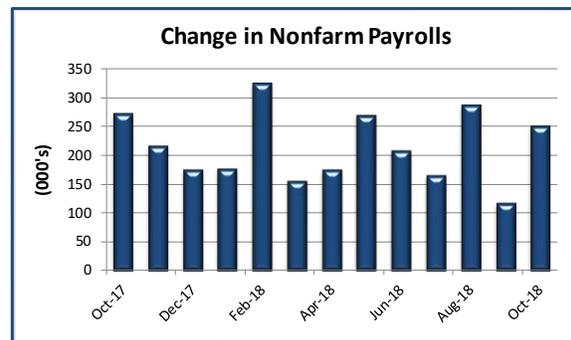
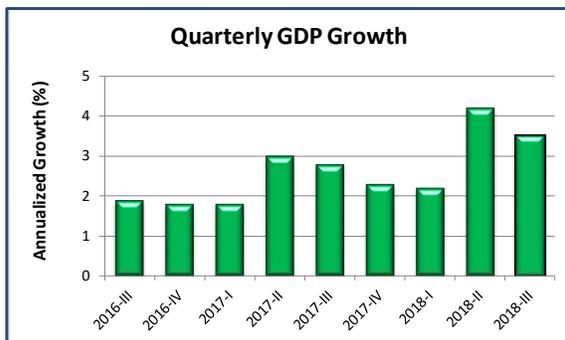
<b>General</b>	<b>Prior</b>	<b>Current</b>
GDP growth	4.2% (Q2 2018)	3.5% (Q3 2018)
Trade balance	-\$54.5B (Sep)	-\$55.5B (Oct)

<b>Employment</b>	<b>Prior</b>	<b>Current</b>
Initial jobless claims	225,000 (11/18)	235,000 (11/25)
Continuing claims	1.71MM (11/18)	1.63MM (11/25)
Change in non-farm payrolls	118,000 (Sep)	250,000 (Oct)
Unemployment rate	3.7% (Sep)	3.7% (Oct)
Average weekly hours	34.5 (Sep)	34.5 (Oct)

<b>Consumer</b>	<b>Prior</b>	<b>Current</b>
Consumer confidence index (Conference Board)	137.9 (Oct)	135.7 (Nov)
Retail sales growth	-0.1% (Sep)	0.8% (Oct)
Change in consumer credit	\$22.9B (Aug)	\$10.9B (Sep)



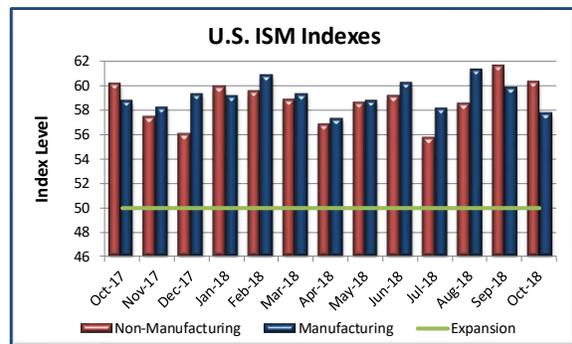
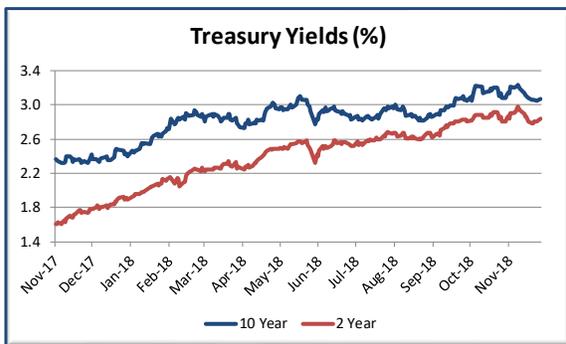
<b>Manufacturing &amp; Service</b>	<b>Prior</b>	<b>Current</b>
ISM manufacturing index	57.7 (Oct)	59.3 (Nov)
ISM non-manufacturing index	60.3 (Oct)	60.7 (Nov)
Durable goods orders growth	-0.1% (Sep)	-4.4% (Oct)
Industrial production growth	5.6% (Sep)	4.1% (Oct)
Capacity utilization	78.5% (Sep)	78.4% (Oct)

<b>Real Estate</b>	<b>Prior</b>	<b>Current</b>
New home sales	597,000 (Sep)	544,000 (Oct)
Existing home sales	5.2MM (Sep)	5.2MM (Oct)
S&P CoreLogic CS home price index (YoY)	5.7% (Aug)	5.5% (Sep)

<b>Inflation</b>	<b>Prior</b>	<b>Current</b>
Consumer price index/Core (YoY growth)	2.3%/2.2% (Sep)	2.5%/2.1% (Oct)
Producer price index/Core (YoY growth)	2.6%/2.9% (Sep)	2.9%/2.8% (Oct)



### Market Returns

	Nov 2018	YTD 2018
<b>Fixed Income</b>		
BBgBarc Aggregate Bond	0.6%	-1.8%
BBgBarc Municipal Bond	1.1%	0.1%
BBgBarc Gbl Agg. ex. U.S.	0.1%	-4.3%
<b>Alternatives</b>		
Bloomberg Commodity	-0.6%	-4.7%
DJ U.S. Real Estate	4.7%	4.0%

	Nov 2018	YTD 2018
<b>Domestic Equities</b>		
Wilshire 5000	1.9%	4.4%
S&P 500	2.0%	5.1%
Russell 2000	1.6%	1.0%
<b>International Equities</b>		
MSCI EAFE (Developed)	-0.1%	-9.4%
MSCI EM (Emerging)	4.1%	-12.2%

**Disclaimers:** Source for economic data: Bloomberg. Source for market returns: Morningstar®. This commentary was written by Noreen Johnston, CFA, Director of Research at Summit Financial, LLC. Indices are unmanaged and cannot be invested into directly. The investment and market data in this newsletter is not an offer to sell or purchase any security or commodity. Past performance does not guarantee future results. The *Bloomberg Barclays U.S. Aggregate Bond Index* is a market capitalization-weighted index comprising Treasury securities, Government agency bonds, mortgage backed bonds, corporate bonds, and some foreign bonds traded in the U.S. The *Bloomberg Barclays Municipal Bond Index* covers the U.S. dollar-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. The *Bloomberg Barclays Global Aggregate Ex U.S. Index* measures the performance of global investment grade fixed-rate debt markets that excludes USD-dominated securities. The *Bloomberg Commodity Index* measures the performance of the commodity sector representing an unleveraged, long-only investment in commodity futures that is broadly diversified, and primarily liquidity weighted. The *Dow Jones U.S. Real Estate Index* measures the performance of the real estate sector of the U.S. equity market. It includes companies in the following industries: real estate holding and development and Real Estate Investment Trusts. The *Wilshire 5000 Total Market Index* measures the performance of all U.S. headquartered equities with readily available price data. It is market capitalization-weighted and is designed to track the overall performance of the U.S. stock market. The *S&P 500 Index* is a market capitalization-weighted Index of 500 widely held stocks often used as a proxy for the stock market. It measures the movement of the largest issues. Standard and Poor's chooses the member companies for the 500 based on market size, liquidity, and industry group representation. Included are the stocks of industrial, financial, utility, and transportation companies. The *Russell 2000 Index* measures the performance of the small cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The *MSCI EAFE Index* (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. The *MSCI Emerging Markets Index* is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. Information throughout this Newsletter or any other statement(s) regarding markets or other financial information are obtained from sources which we and our suppliers believe to be reliable, but we do not warrant or guarantee the timeliness or accuracy of this information. Neither we nor our information providers shall be liable for any errors or inaccuracies, regardless of cause, or the lack of timeliness of, or for any delay or interruption in the transmission thereof to the reader. Opinions expressed are subject to change without notice and are not intended to be investment advice or a guarantee of future performance. Consult your financial professional before making any investment decision. This material was produced by Summit Financial, LLC, ("Summit"), headquartered at 4 Campus Drive, Parsippany, NJ 07054, Tel. 973-285-3600. It is provided for your information and guidance and is not intended as specific advice and does not constitute an offer to sell securities. Summit is an investment adviser and offers asset management and financial planning services.

