



SUMMIT FINANCIAL

Investment Update for the week of January 13th, 2020

- **Global Markets: Easing tensions in Iran gave a fresh boost to markets**
 - **U.S. Equities:** U.S. large-cap benchmarks hit record levels as concerns of conflict escalation in the Middle East diminished. The S&P 500 Index rose 1.0% over the week with growth-oriented sectors leading the way. Within the S&P, the communication services (2.2%) and information technology (2.2%) sectors were the top performers. The IT sector was helped by continued strength from Apple following better than expected iPhone sales in China. Energy (-1.1%) was the worst performing sector following a decline in the price of oil as geopolitical tensions eased. As measured by the respective Russell indexes, small-caps lagged large-caps and growth stocks outperformed value stocks.
 - **International Equities:** Developed international equities (as measured by the MSCI EAFE Index) were close to flat last week (-0.1%), while emerging market equities fared better (MSCI EM Index rose 0.9%). Strength in Chinese equities have helped drive EM markets higher recently, as they recorded their sixth consecutive positive week.
 - **Credit Markets:** Yields (as measured by the U.S. 10-Year Treasury) ended the week modestly higher in-line with a broader risk-on sentiment. Higher yields contributed to slightly negative performance (-0.1%) from the broad Bloomberg Barclays U.S. Aggregate Index. Despite higher yields, high-yield and municipal markets were still positive. High-yield benefitted from tighter spreads in-line with equity markets. The municipal market continued to be supported by flows. According to Alliance Bernstein, municipal flows totaled \$2.9 billion last week, the 53rd consecutive week of positive inflows.
- **Economic Data/News: Positive global economic data added to renewed optimism early in 2020**
 - **U.S.:** There was a host of improved economic datapoints in the U.S. last week. Frisk, IHS Markit service sector data rose more than expected in December and reached a five-month high. Next, ADP's private-sector jobs data also surprised to the upside and had its largest monthly gain since last April. Last, The Institute for Supply Management Index reading was supportive. One soft-spot last week was Friday's jobs report. While an addition of 145,000 nonfarm jobs was only slightly below consensus, average hourly earnings barely budged and had their worst monthly gain since September.
 - **International:** Non-U.S. economic data was also incrementally positive. Eurozone business activity increased more than expected in December, aided by a robust services sector. Eurozone inflation increased to 1.3% helped by strong holiday season spending. This represented an improvement but was still below 2% targets. Nonetheless, the increase somewhat alleviated needs for additional rate cuts for the time being. Data was also improved in Asia. Japan is expected to revise up its 2020 GDP growth forecast following its latest stimulus package. China also appeared to

benefit from seasonal strength associated with the Lunar New Year. Chinese inflation also fell to 4.5%, partially resulting from lower pork prices. A welcome addition to China's growing economy.

- **Odds and Ends: The Joker has the last laugh, Tesla takes investors for a wild ride, and Millennials trade wine for spiked seltzer**
 - The 2020 Oscar Nominations were just released with *The Joker* leading the pack with 11 nominations. The film's nominations include coveted categories such as best picture, best director and best lead actor. Other highlights include *1917*, *Once Upon a Time...in Hollywood*, and *The Irishman* each receiving 10 nominations. This will also be the second year in a row where the show will go host-less.
 - **Tesla** has taken investors for a wild ride ever since first going public. Recently, the roller coaster has been on an upward trajectory with the stock more than doubling in the past year. This has resulted in a roughly \$91 billion market-cap, making Tesla the most valuable American car company and more than the market-cap of General Motors and Ford...combined! It's also higher than the peak market-cap for Ford of \$78 billion back in 1998. While impressive, Tesla's value is still trumped by others, like Toyota, on a global scale.
 - Here's a surprising headline - Americans drank less **wine** last year for the first time in a quarter-century. This isn't to say that Americans are actually drinking less. Instead, millennials are often reaching for other drinks including hard seltzers, cocktails and nonalcoholic beers, pushing wine numbers lower. These figures demonstrate how influential different demographics and consumer preferences can be for select industries and brands.
- **Resource of the week:** If you have five different credit cards to maximize your reward points and travel perk, you're likely familiar with Brian Kelly – otherwise known as the *Points Guy*. Brian traveled a lot for work and started a blog telling fellow business travelers how to maximize their reward bucks back in 2010. A blog quickly turned into a full-fledged business focused on the credit card and travel industry. If you're curious about his journey or just a frequent traveler interested in maximizing perks, then this podcast is worth a listen. As always, please feel free to submit suggested resources to smelnick@sfr1.com.
 - Link: <https://www.bloomberg.com/news/audio/2020-01-02/-points-guy-brian-kelly-on-maximizing-travel-rewards-podcast>

Sources: Bloomberg, The WSJ, T. Rowe Price Global Markets Weekly Update, AllianceBernstein: This Week in MuniLand

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