



SUMMIT FINANCIAL

Summit Snapshot: Week Of July 27th, 2020

Global Markets: Equity indices were mixed on the back of a new fiscal stimulus that is being considered

- **U.S. Equities** were mixed for the week after jobless claims increased and the coronavirus outbreak continues around the world. The S&P 500 Index briefly touched its highest level since its all-time high in February but ultimately fell by 0.3% week over week. However, it remains in positive territory for the year thus far. Last week's shift from growth to value continued again this week, as value recovered a small amount of the more than 26% delta that exists between the styles for the year in the large cap segment. The Nasdaq Composite Index fell by 1.3% as technology led all sector declines. On the flipside the best performing sector, energy, rose by 2.3% for the week after oil prices increased. Clouding investor sentiment was the fact that no additional stimulus bill is yet passed by Congress as the current \$600 per week unemployment benefits expires on July 31st. Talks have resumed on this topic over the weekend as U.S. Treasury Secretary Steven Mnuchin proclaimed the Trump administration supports a new package to extend the benefits through the end of the year, albeit at a lower wage than the current \$600. Small-cap and large-cap stocks fell by about the same percentage for the week, while the mid-cap segment outperformed them both.
- **International Equities** were also mixed, after the European Union finally agreed to a €750 billion economic relief package, that will surely provide much needed help after the economic shutdown. Developed international countries like Italy, the expected largest recipient of relief funds, did well as the MSCI EAFE Index rose by 0.4% in USD terms. Likewise, the MSCI Emerging Markets Index performed well too after it rose 0.6% for the week. Interestingly this contrasts with Chinese equity indices which fell after the Trump administration forced the closure of the country's consulate in Houston, Texas.
- **Credit Markets** rose for the week, after most interest rates of the yield curve decreased. The benchmark 10-year U.S. treasury yield fell by 4 bps to end the week at 0.59%. Municipal bonds benefitted from strong net inflows which significantly offset the outflows the sector experienced earlier this year due to the coronavirus. Both the investment-grade and high-yield segments of corporate bonds appreciated attributable to the issuance of new deals and positive inflows. Read more details below on fixed income from our trusted partner, **Piton Investment Management:**

<https://pitonim.com/education-and-insights>

Economic Data/News: An uncertain future exists for another U.S. stimulus despite a weekly increase in jobless claims, while Europe passed their own historical stimulus plan

- **U.S.:** The week began with some positive vaccine-related news. The vaccine candidate being developed by Oxford University and AstraZeneca was reported to have produced strong levels of antibodies and T-cells in roughly 1,000 participants involved in the study. Then Tuesday brought the encouraging news of the new relief package passed by the European Union, although no such progress has been made by the U.S. just yet. After having commenced on the subject, some people

remain pessimistic of reaching a deal before the July 31st expiration date of the current package, while others are more optimistic like the White House and Steven Mnuchin. If a deal is reached, it is almost certain it will likely provide longer-term relief funds to the unemployed in need but at a much lower weekly level than \$600 to re-incentivize people to return to work. Initial jobless claims filed through the week ending July 18th, surprisingly rose to 1.4 million compared to 1.3 million for the week prior and represents the first increase in this figure in 16 weeks. Continuing claims decreased to 16.2 million but is reported on a two-week lag, implying this figure only represents data through July 11th.

- **International:** As mentioned above, the European Union agreed on a €750 billion relief package to support the parties affected by the shutdown. In other positive news out of Europe, the Flash Eurozone PMI Composite Output Index rose to 54.8, firmly in expansion territory, while manufacturing and services areas of the economy picked up. Japan recently saw an increase in new coronavirus cases after it removed its state of emergency status two months ago. The country that is enjoying a four-day holiday weekend, urged Tokyo residents to limit nonessential outings during this time. China is still grappling with the unexpected move put forth by the U.S., as the nation continues its gradual economic recovery. A recently conducted survey of 1,600 Chinese workers in 129 cities by China Reality Research indicates that one-fifth of the country's employers were operating at less than 60% of their specific pre-pandemic levels of production. This led some people to believe the nation still has a road ahead before a full economic recovery is in place.

Odds and Ends: Aircraft manufacturers are struggling with ongoing supply and demand mismatches, an entertainment icon dies after a successful career, and major sports finally returned to action in America

- Aircraft-making companies **Boeing Co. (BA)** and **Airbus SE (EADSY)** are producing airplanes for use but unfortunately are not being adopted yet by airlines due to unprecedented low levels of air traffic demand. This is creating ripples in the finances of the aircraft manufacturers since the result is more airplanes that are made, less cash on their books, and reduced levels of staff let go amidst the pandemic. In the interim, the airplanes are also occupying space in multiple vacant parking lots for storage. Both Boeing and Airbus report second-quarter earnings this week.
- One of the most recognizable people in showbiz and entertainment for decades, Regis Philbin, died on Friday due to natural causes. He had filled living rooms across the country for nearly 30 years after starting on "Live! With Regis and Kathie Lee" and most recently as the host who's credited for sparking the excitement around the game show "Who Wants to Be a Millionaire?". Regis was recognized the world over and often had a unique welcoming and calming effect when in his element on television. The world will miss him and is grateful for all he contributed during his time.
- After some other sports like Nascar racing, golf, tennis, and soccer had returned to action a few weeks ago, the four major revenue producers in America had not yet. Namely these are baseball, basketball, football, and hockey. That is now a thing of the past as Major League Baseball returned to the diamond on Thursday with the first two season-opening games. Dr. Anthony Fauci threw out the ceremonial first pitch between the New York Yankees and the Washington Nationals, although not the most accurate, but hopefully sent the message that sports are here to stay as the country continues to ravage with a global pandemic outbreak. The NBA resumes action this week.

Resource of the week:

- This episode of *Marketplace* touches on a lot of hot topics often discussed in today's environment. These topics are varied and specifically include the government sponsored unemployment stimulus, having an eviction on your record, the closure of the Chinese consulate, and even a coronavirus hotspot in Hidalgo County, Texas. There are more topics than just these that are brought up, but this podcast provides an efficient one-stop-shop to quickly get up to speed on different factors that affect the economy. Please feel free to submit suggested resources to smelnick@sfr1.com.
- **Spotify link:**
<https://open.spotify.com/episode/39zDI01caqOw6sM5f1Gqe0?si=v33FWPZXQHAnEJMLymoQUw>

Sources: The WSJ, T. Rowe Price Global Markets Weekly Update, Piton Investment Management

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