



SUMMIT FINANCIAL

Summit Snapshot: Week of September 8th, 2020

Periodic Returns

	Trailing Week			Quarter-to-Date			Year-to-Date		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	-1.2%	-2.4%	-3.4%	7.8%	11.0%	14.1%	-9.7%	7.9%	25.3%
U.S. Mid-Cap	-0.9%	-1.9%	-3.8%	8.9%	8.0%	6.4%	-10.8%	-1.8%	10.8%
U.S. Small-Cap	-1.4%	-2.7%	-3.9%	7.8%	6.7%	5.7%	-17.5%	-7.1%	2.4%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	-2.3%	10.9%	7.5%
NASDAQ Composite	-3.3%	12.6%	26.9%
International Developed	-2.1%	5.4%	-6.6%
Emerging Markets	-2.0%	11.2%	0.3%
U.S. Aggregate Bond	0.2%	0.6%	6.8%
U.S. Municipals	-0.1%	1.1%	3.2%
Corporate High Yield	0.0%	5.6%	1.6%

Source: Morningstar, see 'Disclaimer' for sources

U.S. Equity Markets

- Volatility resumed for stocks, with U.S. indexes ending the week lower. Most large-cap benchmarks remained near all-time highs, although many of the previously resilient mega-cap tech companies experienced significant losses. The tech-heavy Nasdaq Composite fell more than 3% for the week.
- Despite losses last week, the S&P 500 Index finished August up more than 7%. This was the benchmark's best month since April 2020.
- Outside of profit taking, there were few clear catalysts for the downturn last week. Increased use of financial derivatives, such as options, might have also had an impact. The WSJ reported that Japanese tech conglomerate, Softbank, might have been behind massive option bets on larger tech companies. This factor might have contributed to increased volatility in these names.
- Weakness in more highly valued technology names contributed to relative outperformance of value vs. growth. Small-caps were also slightly behind large-caps last week.

International Equity Markets

- Most international markets also declined in-line with domestic counterparts.
- European shares pulled back in conjunction with the technology-led decline in U.S. equities.
- One exception was Japanese stocks which posted gains for the week despite sell offs in other markets. Notably, the Nikkei 225 Stock Average remains underwater so far this year in local terms.
- Emerging market indexes fell over the week. Major Chinese equity benchmarks declined in-line with developed markets based on similar factors in addition to increasing uncertainty around global trade tensions.

Credit Markets

- A risk-off stance was met with increasing demand for Treasuries which left yields little changed over the week.
- The broad municipal bond market posted modestly negative returns amid elevated levels of issuance and underperformed the Treasury rally last week.
- New issuance in both the investment-grade and high yield corporate bond markets was subdued ahead of the Labor Day weekend.
- Positive manufacturing data in the U.S., Europe, and China boosted investor sentiment in the investment-grade market.

U.S. Economic Data/News

- The U.S. economy added 1.4 million jobs in August, which was roughly in-line with estimates. The unemployment rate, which is based on a separate survey, fell more than expected to 8.4% down from 10.2% in July.
- About 48% of jobs lost during March and April have been recovered in the past four months. While this indicates notable progress, there is still a long way to go until a full recovery is reached.
- The Fed's announced the use of a more flexible average inflation target which would allow inflation to run moderately higher than 2%. This solidified a steeper yield curve trend.
- Low rates are likely to stay low, while longer, more inflationary and economic sensitive longer rates should move higher as inflation rises.

International Economic Data/News

- Early European economic data showed that inflation (CPI) slowed to -0.2% in August. This could contribute to additional rationale for the ECB to boost stimulative measures.
- The Euro has seen considerable strength recently against a weaker U.S. Dollar. The Euro's strength has worried some policymakers that it could drag down exports and recovery efforts.
- There is increasing pessimism around a U.K.-E.U. trade deal as both sides appear to be at an impasse over key issues of fisheries and state aid.
- In Japan, Chief Cabinet Secretary Yoshihide Suga has become the leading candidate to replace retiring Prime Minister Shinzo Abe, according to a recent public opinion poll conducted by Asahi Shimbun. Most believe that monetary and fiscal policies will be little changed under Suga because his views are closely aligned with those of the outgoing prime minister.
- In China, economic data continued to show slow progress towards a recovery as coronavirus cases remain contained. The few cases that have been reported recently are mostly imported.

Sustainable Spotlight (Perspectives from our partners at Seeds)

- While interest in ESG investing is on the rise, so is the disconnect between clients and their advisors when it comes to creating an effective sustainable investing strategy. A 2019 New York Life Investments study found that 34% of investors had extremely high interest in discussing sustainable investing strategies, but only 18% of those clients had financial advisors who ever mentioned such strategies.

- By avoiding the conversation, advisors are creating a stalemate, as clients are waiting for advisors to bring up the subject. Why the disconnect? Advisor familiarity and what worked for them in the past may be a reason for not making a change to something new. The longer the relationship, the less likelihood that an advisor will start a discussion regarding sustainable investing. Whatever the reason, a failure to embrace sustainable investing can be a significant missed opportunity for advisors to grow and protect their businesses. Nearly a third of the younger generation of investors (in their twenties and thirties) who will eventually inherit the wealth now under management for older clients would rather work with financial advisors who have values-based investing solutions.
- New York Life Investments found out that when an advisor introduces the concept of sustainable investing to a client, the client will invest in the strategy 63% of the time.

Resource of the week:

- Michael Mauboussin is the head of consilient research at Counterpoint Global. In this episode of *Invest Like the Best*, host Patrick O'Shaughnessy and Michael discuss the shift from public to private markets that has taken place over the last several decades. They explore the reasons for this shift, the biggest overall changes in capital markets, and what the future may hold. The conversation also touches on the rise of intangible asset investments, employee-based compensation as a form of financing, and more. If you are curious about any of these topics, then this podcast is worth a listen.
- **Podcast link:** <http://investorfieldguide.com/michael-mauboussin-great-migration-public-to-private-equity-invest-like-the-best-ep-189/>

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

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This commentary was written by Craig Amico, CFA®, CIPM®, Senior Investment Analyst, Noreen Brown, CFA®, Director of Portfolio Management and Steven Melnick, CFA®, Senior Investment Analyst at Summit Financial, LLC., an SEC Registered Investment Adviser ("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. Indices are unmanaged and cannot be invested into directly. The Sustainable Spotlight portion of this report is written and provided by Seeds Investor LLC ("Seeds"). Seeds is an SEC Registered Investment Advisor which is not affiliated with Summit. The market return chart returns are represented by the following indices: large cap value by Russell 1000 Value TR Index, large cap blend by Russell 1000 TR Index, large cap growth by Russell 1000 Growth TR Index, mid cap value by Russell Mid Cap Value TR Index, mid cap blend by Russell Mid Cap TR Index, mid cap growth by Russell Mid Cap Growth TR Index, small cap value by Russell 2000 Value TR Index, small cap blend by Russell 2000 TR Index, and small cap growth by Russell 2000 Growth TR Index, international developed by the MSCI EAFE NR USD Index, Emerging Markets by the MSCI EM NR USD Index, U.S. Aggregate Bond by the BbgBarc US Agg Bond TR USD Index, U.S. Municipals by the BbgBarc Municipal TR USD Index, and Corporate High Yield by the BbgBarc US Corporate High Yield TR USD Index. The Wilshire 5000 Total Market Index measures the performance of all U.S.-headquartered equity securities with readily available price data. The Standard & Poor's 500 Index (S&P 500) is an unmanaged group of securities considered to be representative of the stock market. The Russell 2000 Index is a market-cap weighted index comprised of the smallest 2,000 companies within the Russell 3000 Index, a larger market-cap index made up of the largest 3,000 publicly traded companies in the U.S., nearly 98% of the investable U.S. stock market. The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. The MSCI Europe Index captures large- and mid-cap representation across 15 Developed Markets countries in Europe, covering approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe. The MSCI Emerging Markets (EM) Index captures large- and mid-cap representation across 26 Emerging Markets countries, covering approximately 85% of the free float-adjusted market capitalization in each country. The MSCI Japan Index captures large- and mid-cap representation of the Japanese market, covering approximately 85% of the free float-adjusted market capitalization in Japan. 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 Global Aggregate Ex U.S. Index measures the performance of global investment grade fixed-rate debt markets that excludes USD-denominated securities. The Bloomberg Barclays Municipal Bond Index covers the U.S. dollar-denominated long-term tax-exempt bond market. Created by the Chicago Board Options Exchange (CBOE), the Volatility Index, or VIX, is a real-time market index that represents the market's expectation of 30-day forward-looking volatility. Data in this newsletter is 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. Consult your financial professional before making any investment decision. Past performance is no guarantee of future results. Diversification/asset allocation does not ensure a profit or guarantee against a loss.