Summit Snapshot: Week of September 14th, 2020

Periodic Returns

	Trailing Week			Quarter-to-Date			Year-to-Date		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	-1.5%	-2.5%	-3.5%	6.2%	8.2%	10.1%	-11.1%	5.1%	20.9%
U.S. Mid-Cap	-1.8%	-2.0%	-2.3%	7.0%	5.9%	3.9%	-12.4%	-3.8%	8.3%
U.S. Small-Cap	-3.5%	-2.5%	-1.5%	4.1%	4.1%	4.1%	-20.3%	-9.4%	0.9%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	-2.5%	8.1%	4.8%
NASDAQ Composite	-4.1%	8.1%	21.8%
International Developed	1.4%	6.9%	-5.2%
Emerging Markets	-0.7%	10.4%	-0.4%
U.S. Aggregate Bond	0.2%	0.8%	7.0%
U.S. Municipals	0.0%	1.2%	3.3%
Corporate High Yield	-0.2%	5.3%	1.3%

Source: Morningstar, see 'Disclaimer' for details

U.S. Equity Markets

- Stocks retreated once again, falling further from their recent highs as elevated volatility ensued. All sectors, aside from materials, fell for the week as energy (-6.4%) and technology (-4.3%) fared the worst. Similarly, the tech-heavy Nasdaq Composite Index fell by more than 4% for the week, landing it in correction territory or down more than 10% since its high reached on September 2nd.
- Interestingly the declines last week did not seem to have a specific catalyst other than the perception of existing overbought conditions. However, the lack of a further stimulus deal being reached in Congress was likely not a positive factor. Republicans pushed a $300 billion deal to the Senate on Thursday which was immediately rejected by Democrats as being too small.
- AstraZeneca, one of the leading vaccine candidates that is part of Operation Warp Speed, hit a (temporary) pause on their clinical trials after a participant developed a serious neurological disorder. This news also potentially negatively impacted investor sentiment and the markets.

International Equity Markets

- International indices were mixed for the week, after developed markets rose by 1.5% but emerging markets fell by 0.7% as represented by their respective MSCI indices in USD terms.
- In developed nations, European stocks advanced by 2% despite the fact the European Central Bank has not announced an addition stimulus and new cases continue to surge across several European nations. Likewise, Japanese stocks were choppy but ended the week positive as the yen was unchanged versus the U.S. dollar.
- Emerging market stocks, including China and Latin American countries, fell by 2.6% and 1.9% respectively as represented by their MSCI indices. Chinese stocks were particularly impacted after

the Trump administration considered adding sanctions to the Chinese-domiciled Semiconductor Manufacturing International Corporation (SMIC) powerhouse.

Credit Markets (Perspectives from our partners at Piton Investment Management)

- Closing into Friday, the Treasury market is finishing with gains across the curve as yields came down on stronger than expected August CPI; 10-year yields ended the week around 0.675%.
- Given the equity volatility and risk-off stance, new corporate bond issues were at a healthy interest or oversubscription levels of approximately 4x and flat-to-negative new issue concessions (NIC).
- Through the first 2 weeks of September, municipal yields remain largely unchanged with a slight steepening of 2bps across the curve.
- With a lack of stimulus and uncertainty moving into election season, focus will shift towards credit quality, sector selection and duration positioning within municipal bonds.
- Municipal fund inflows continued for the 18th consecutive week adding $1 billion for the week ended 9/9, up from $139 million the prior week.
- **Expanded fixed income commentary from Piton can be found using this link.**

U.S. Economic Data/News

- The week's economic data was mixed. Initial jobless claims held steady at 884,000 for the week ended September 5th while continuing claims unexpectedly rose to more than 13 million people.
- Preliminary reports indicate strong retail sales had taken place over the extended Labor Day holiday weekend.
- The annual inflation rate, released on Friday, increased to 1.3% in August from 1% in July which beat a forecasted 1.2% level. The leading contributors were price increases for both used and new vehicles as Americans have largely abandoned public transportation. Energy prices, despite falling in August, fell less than they did in July. On the contrary, inflation levels for food and shelter remained steady on a month-over-month basis.

International Economic Data/News

- Several European nations, including but not limited to France, Germany, and the U.K., are dealing with a surge in coronavirus cases. U.K. Prime Minister Boris Johnson said Britain will limit social gatherings to six people and will reinstate quarantine measures for international travelers.
- The U.K. economy grew for the third consecutive month in July but is still almost 12% smaller than it was in February. It is also believed that tax increases will be needed to pay for some extra costs.
- Japan's growth domestic output growth level was revised slightly higher to an annualized pace of -28.1% using data through June 2020. The worse areas include tourism and transportation as expected, while the demand for medical services and technology were positive factors.
- China's core inflation rate was unchanged in July despite escalating food costs, attributed to higher pork prices and a drastic slowdown in imports. Egg prices also increased as the demand for chicken increased in lieu of pork.
- South Africa, a nation that instituted strict draconian efforts to contain the pandemic outbreak in March, reported that their GDP contracted at a 51% annualized rate in the second quarter. This comes despite their strict containment efforts and unfortunate fact they have confirmed at least 645,000 reported coronavirus cases and at least 15,000 fatalities.

Sustainable Spotlight: Investing Leaders Seek to Better Define ESG Terms
(Perspectives from our partners at Seeds Investor)

- As sustainable investing approaches become mainstream, financial professionals have an increasing responsibility to shepherd investors through the confusing and often contradictory definitions related to ESG.
- Meanwhile, as financial associations like the Investment Company Institute (ICI) have begun to define ESG approaches, advisors have an opportunity to educate themselves of the important nuances of an often over-generalized investment philosophy.
- For example, the ICI has defined three main subcategories under ESG:
    - *Exclusionary:* A more performance-agnostic elimination of stocks based on values (like fossil-free or tobacco-free).
    - *Inclusionary:* A process of using material ESG data to select what stocks to include for the sake of performance and values alignment.
    - *Impact Investing:* The inclusion of positions with specific values themes (like green bond or clean energy funds).
- Meanwhile, regulators continue to push for clarity. Going forward, fund names will likely be required to reflect the underlying investment approach more specifically, and ESG terms like “green” may soon take on a more consistent meaning.

Resource of the week:

- There are a few firms at the forefront of investing that span a global audience, covering various investment aspects and businesses. BlackRock is one of those firms, and this conversation with one of the firm’s Senior Managing Director Salim Ramji is interesting on many levels. It touches on how different investment areas and products have and will continue to evolve, including wealth management, passive/active investing, and more. Ramji has a decorated resume to boot and is currently the global head of iShares and index investments overseeing more than $4 trillion in AUM. He is also a member of firm’s global executive committee. Please enjoy this episode of *Masters in Business* with Barry Ritholtz for a thought-provoking conversation.

- **Podcast link: https://www.bloomberg.com/news/audio/2020-08-28/salim-ramji-on-esg-investing-podcast**

Sources: The WSJ, T. Rowe Price Global Markets Weekly Update, Trading Economics, 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.