



SUMMIT FINANCIAL

Summit Snapshot: Week of September 28th, 2020

Periodic Returns

	Trailing Week			Quarter-to-Date			Year-to-Date		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	-2.8%	-0.6%	1.4%	3.8%	7.3%	10.7%	-13.0%	4.3%	21.6%
U.S. Mid-Cap	-3.0%	-1.5%	1.3%	4.6%	5.5%	7.0%	-14.3%	-4.1%	11.4%
U.S. Small-Cap	-5.7%	-4.0%	-2.5%	0.1%	2.6%	4.9%	-23.4%	-10.7%	1.7%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	-0.6%	6.8%	3.5%
NASDAQ Composite	1.1%	8.7%	22.5%
International Developed	-4.2%	3.2%	-8.5%
Emerging Markets	-4.4%	7.2%	-3.3%
U.S. Aggregate Bond	-0.1%	0.7%	6.8%
U.S. Municipals	0.0%	1.3%	3.4%
Corporate High Yield	-1.5%	3.8%	-0.1%

Source: Morningstar, see 'Disclaimer' for details

U.S. Equity Markets

- Stocks were mostly negative last week as the S&P 500 Index briefly entered correction territory, or down more than 10% since its recent high, although Friday helped to recoup some of the losses. This was the fourth consecutive week that large-cap stocks fell, the longest streak in over a year.
- The two sectors that shined were technology and utilities after rising 2.1% and 1.2% respectively. On the contrary, the energy sector meaningfully lagged after falling by almost 9% due to dropping oil and natural gas prices reflected in the sector's stock prices.
- Large-cap stocks led small-cap stocks over the week, and growth dominated value. The heavily technology-weighted Nasdaq Composite Index rose 1.1% for the week supported by strong gains in FAANG+M stocks. The index is up more than 22% for the year thus far.
- On Wednesday, the S&P 500 experienced a sharp decline of more than 2% in conjunction with the publicized testimony from Dr. Anthony Fauci. He expressed sincere concerns that new coronavirus cases in the U.S. can escalate quickly if people do not practice standard safety protocols including social distancing and wearing masks in public. However, he did confidently announce he expects an effective vaccine to be widely available to the public sometime during the first quarter of 2021.

International Equity Markets

- International indices struggled mightily in all regions and sectors. Both international developed and emerging markets plummeted by more than 4% in USD terms.
- European stocks suffered as some renewed containment measures were implemented as coronavirus case surges continued. Prime Minister Boris Johnson mandated social guidelines in hopes to curtail the surges and will enforce financial fines to anyone that is noncompliant.

- Japanese stocks modestly outperformed most other international companies, but still fell almost 2% according to the MSCI Japan Index. Their new Prime Minister Suga held some initial meetings with the Bank of Japan Governor Haruhiko Kuroda and followed a business-as-usual plan.
- Stocks in emerging market countries such as China, Brazil, and Taiwan also fell in-line with the global correction that is underway.

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

- Yields shed 0.5 bps to 2 bps across the curve on the week, with the 10-year down 1.5 bps to 0.655%.
- Three-month dollar Libor continues to reach record lows, lowering -1.54 bps to 0.21788%.
- The corporate spread for the iShares iBoxx Investment Grade Corporate Bond ETF, LQD, was approximately +13 bps wider this week due to the uncertainty of the economy and stimulus package and rising cases of the virus.
- US junk bonds reported one of the largest weekly outflows since April. High yield investors withdrew approximately \$1 billion and the 1-week spread widened out by approximately +41 bps. High grade corporates fared better than junk bonds.
- Municipal bonds lagged treasuries this week as over \$7 billion of new issuance is due out.
- Ten-year yields of state and local debt are now 122.6% of comparable treasury yields. While this ratio is historically attractive, absolute yields across the muni curve remain depressed in this low-rate cycle.
- **Expanded fixed income commentary from Piton can be found using this [link](#).**

U.S. Economic Data/News

- The highly anticipated stimulus package that the economy was counting on Congress to pass seems to be dissipating from becoming a reality. Lawmakers have not yet made any headway on an agreement to solidify the deal, replacing the previously expired federal unemployment benefits.
- On Saturday, President Donald Trump nominated Amy Coney Barrett as his pick to be the next judge elected to the Supreme Court. This came a little over a week after the late Ruth Bader Ginsburg died on September 18th. Barrett's confirmation hearings are set to begin October 12th and may conclude about a week before Election Day on November 3rd.
- The week's economic data was indicative of a continuing but slowing gradual recovery. Initial jobless claims rose slightly to 870,000 for the week ended September 19th and continuing claims barely declined week-over-week to 12.6 million. However, housing statistics shined as new home sales in August reached their highest level since September 2006.

International Economic Data/News

- New coronavirus cases are increasing in some European countries including France, the U.K., and the Netherlands. Their daily case records pale in comparison to India, which has been hovering just under 90k new cases per day on average. Brazil has fortunately seen a drop-off in new daily cases.
- The United Kingdom announced a new job support initiative program which will last six months. It is intended to assist any employees who work at least 33% of their normal hours and will result in eligible participants receiving 77% of their standard wages. This created fears, however, that employers may end up cutting more jobs than previously expected during the 6-month duration.

- FTSE Russell declared it will include Chinese government bonds in its World Government Bond Index starting late next year. This move is expected to encourage the foreign nation to improve investor accessibility to their sovereign bonds and indirectly supports the yuan.
- How countries are handling their economic impacts during this pandemic is different depending on what their leadership believes and the economic shutdown severity. For instance, Mexico's central bank convened and decided to cut its overnight interest rate from 4.50% to 4.25%, while Turkey ironically increased their similar lending rate from 9.75% to 11.75%, a total of 200 basis points. Each nation independently feels their moves are warranted given levels of inflation.

Odds and Ends

- The U.S. District Court thought it over and decided to deny the U.S. ban on new TikTok app downloads based on the Trump administration's national security concerns. The decision was made late Sunday night and does not force Apple and Google to remove the app from their online stores. Recent data indicates more than 400,000 people in the U.S. have been downloading the app daily. TikTok is still in talks to potentially be acquired by Oracle and Walmart.
- This week it was announced that the Big Four accounting firms (Deloitte, PwC, KPMG, and E&Y) are accelerating ESG transformation through the establishment of a set of standardized measurements. The proposal includes 22 specific metrics organized into a framework for companies to report their results in a new "stakeholder capitalism" approach and are structured to align with the UN's 2030 Agenda for sustainable development.
- Americans are starting new businesses at the fastest rate since 2007, taking advantage of pent-up demand and different opportunities that have arose during the pandemic and economic shutdown. Applications for employer identification numbers tallied in over 3.2 million so far this year, compared to 2.7 million at the same point last year. What is unclear though is if the new businesses are built for the long-term or simply jumping on new fad-opportunities that quickly emerged during the pandemic. The risk is they can just as quickly disappear in the future.
- After months of a live sports hiatus, most of which were postponed or canceled due to complications from the pandemic, today there are more sports than ever that resumed action. The NHL almost has a Stanley Cup champion, MLB is entering the playoffs, NBA is entering the Finals, and the NFL is fully engaged in its regular season. This does not even mention college sports, golf, tennis, WNBA basketball, or even soccer, all of which are playing as well. The desolate months of April and May are simply a memory now.

Resource of the week:

- The ever-increasing amount of student debt in the U.S. recently peaked over \$1.6 trillion. This is a substantial, impactful number which took decades for students to unfortunately continue the growth of. The nation needs to develop a plan or at least a strong, thoughtful attempt at decreasing this number, and this episode of *Business Casual* sparks ideas centered on just that. It features a conversation with Jeff Selingo, an author of two New York Times bestsellers, a contributor to publications, and an advisor at Arizona State University, who has written about higher education for decades. Please listen along if you are curious to hear what Jeff thinks and opinions he offers on this debatable topic.
- **Podcast link:** <https://www.businesscasual.fm/how-to-solve-the-student-debt-problem/>

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

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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.