



SUMMIT FINANCIAL

Summit Snapshot: Week of October 12th, 2020

Periodic Returns

	Trailing Week			Quarter-to-Date			Year-to-Date		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	3.8%	4.0%	4.2%	4.3%	3.8%	3.3%	-7.7%	10.5%	28.5%
U.S. Mid-Cap	4.3%	4.7%	5.5%	6.1%	6.1%	6.0%	-7.5%	3.6%	20.7%
U.S. Small-Cap	5.7%	6.4%	7.0%	9.2%	8.6%	8.2%	-14.4%	-0.8%	12.4%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	3.9%	3.5%	9.2%
NASDAQ Composite	4.6%	3.7%	30.0%
International Developed	3.0%	3.0%	-4.3%
Emerging Markets	3.8%	3.8%	2.6%
U.S. Aggregate Bond	-0.2%	-0.2%	6.6%
U.S. Municipals	-0.3%	-0.4%	2.9%
Corporate High Yield	1.2%	1.4%	2.0%

Source: Morningstar, see 'Disclaimer' for details

U.S. Equity Markets

- U.S. stocks ended the week with strong positive results, after the S&P 500 Index rose 3.9% and recorded its best weekly gain in three months. Much of the positivity stemmed from hopes for a new economic stimulus package and followed encouraging coronavirus treatment news.
- Small-cap stocks beat large-caps last week. The Russell 2000 Index surged over 6% and is now within 10% of its all-time high reached in 2018.
- Within the S&P 500 sectors, materials (5.1%) and energy (5.0%) led all others as the latter sector benefited from an increase in oil prices, although that's in jeopardy given how severe Hurricane Delta may impact the oil production from the Gulf of Mexico. The sectors that lagged on a relative basis include real estate (1.4%) and communication services (2.2%).

International Equity Markets

- International developed and emerging markets equities finished the week with gains in USD terms.
- European stocks rose on hopes the U.S. government would pass an additional stimulus despite spiking levels of new COVID-19 cases and enforced localized lockdowns.
- Japanese equities advanced and Prime Minister Yoshihide Suga hinted that local wireless phone rates could be cut by up to 40%, which would undoubtedly provide a tailwind for local companies.
- China's stock markets were closed from October 1st through the 8th for the national Golden Week holiday, but they were open and rose on Friday.
- The MSCI EM Latin America Index rose by 5.9% supported by Mexican stocks. Mexico unveiled a new infrastructure plan worth about \$14 billion aimed at supporting their economic growth.

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

- Treasury yields moved higher across the curve led by the long end. Monday saw the 30-year bond yield hit a high of 1.591%.
- Heading into the weekend, 10-year Treasuries were trading around the new range at 0.775%.
- As we observe the Columbus Day holiday weekend, corporate bond issuers came to the market earlier in the week with more than half of the projected volume done on Monday.
- Municipals traded off with Treasuries on the week, the curve steepened 1-10 bps.
- Flows into Municipal bond funds reversed course after last week's outflow of \$775mm, adding \$1.7bn for the week ended 10/7.
- Continued heavy issuance combined with uncertainties surrounding further stimulus will likely provide upward pressure on yields for the remainder of the month heading into the election.
- **Expanded fixed income commentary from Piton can be found using this [link](#).**

U.S. Economic Data/News

- Renewed hopes for another stimulus package remain after contradictory events unfolded throughout the week. Monday began well following progressive talks in Congress but quickly came to a halt following President Trump's tweet on Tuesday. The week ended with broad stimulus relief packages offered by both political parties, despite for different amounts (\$1.8 trillion for Republicans versus \$2.2 trillion for Democrats) and Americans hope an agreement is soon reached.
- After contracting COVID-19 the week prior, President Trump has seemingly made a rapid recovery and resumed his White House duties. This boosted investors' sentiment and even prompted Eli Lilly's announcement seeking emergency use authorization for their antibody therapy.
- Weekly jobless claims declined slightly to 840,000 through the week ended October 3rd, while continuing claims declined sharply from roughly 12 million to 11 million Americans through the week ended September 26th.

International Economic Data/News

- Reported new cases continue to rise in several European countries including Spain, Italy, France, and the U.K. and threatened to overwhelm the health care system. Previous statements to not enforce lockdowns are at risk as many countries ponder their containment efforts.
- The U.K. GDP rose 2.1% in August compared to a monthly growth rate of 6.6% in July. The expansion was highly correlated to a restaurant subsidy and increased amounts of booked reservations during the lax levels of lockdowns.
- The Bank of Japan's recent quarterly meeting led to the implication Japan's economy is recovering handsomely given effective fiscal and monetary policies. This positive message suggested that the central bank would refrain from any implementing any additional stimulus measures in 2020.
- China's services sector, as measured by the Caixan Services PMI, rose from 54.0 in August to 54.8 in September which indicated the fifth consecutive month of improvement. This also supported the belief that China's COVID-19 recovery efforts are well underway. Somewhat contradictory, and using a year-over-year time-frame, the nation's level of tourism fell 30% but daily consumer spending rose 4.7%.

Odds and Ends

- Online shopping for some major brands has morphed into a clone of the QVC business model. Retail stalwarts Tommy Hilfiger, a subsidiary of PVH Corp., and Levi Strauss & Co., are adapting the hour-long live-streamed sales events that made QVC and the Home Shopping Network famous. They hope this will appeal to their loyal customer base who has yet to venture out to shop in-person. This may also be the necessary step to salvage their holiday sales season.
- U.S. officials are anticipating the resumption of travel between New York City and London as soon as the holidays. This idea is somewhat realistic given the increased availability of rapid-results COVID-19 tests which must be given before and after the flight and would theoretically decrease the lengthy quarantine period for travelers. The plan must first be agreed to by both the U.S. and U.K. governments with the assurance that ample test kit quantities are sitting on the sidelines ready for use.
- Defying the critics who did not think sports seasons would be able to conclude during the pandemic and all obstacles that come with it, several teams have clinched the championship in their respective sport. The Tampa Bay Lightning clinched the NHL title, the Los Angeles Lakers won the NBA title, and the Seattle Storm won the WNBA title. The first two teams listed here even won their titles after their seasons were abruptly halted in March and resumed action later in the summer including several sacrifices that were made along the way.

Resource of the week:

- Making everything in our life more efficient is a great idea and likely pays dividends in many ways, sometimes unnoticed. However, like a lot of factors in life, it requires a balance to be effective. Too much of one thing may not be as beneficial as intended, and potentially even negative. This interview with University of Toronto's Rotman School of Management professor emeritus, Roger Martin, discusses how some levels of efficiency come with meaningful social and economic costs. He also believes many of these costs are becoming exposed during the pandemic. This is a short, interesting conversation that should grab your attention.
- **Podcast link:** <https://hbr.org/podcast/2020/09/when-efficiency-goes-too-far>

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

DISCLAIMER

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.