



SUMMIT FINANCIAL

Summit Snapshot: Week of October 19th, 2020

Periodic Returns

| | Trailing Week | | | Quarter-to-Date | | | Year-to-Date | | |
|----------------|---------------|-------|--------|-----------------|-------|--------|--------------|-------|--------|
| | Value | Blend | Growth | Value | Blend | Growth | Value | Blend | Growth |
| U.S. Large-Cap | -0.1% | 0.2% | 0.5% | 4.2% | 4.0% | 3.9% | -7.9% | 10.7% | 29.2% |
| U.S. Mid-Cap | -0.4% | 0.1% | 1.0% | 5.7% | 6.1% | 7.0% | -7.9% | 3.7% | 21.9% |
| U.S. Small-Cap | -0.3% | -0.2% | -0.1% | 8.8% | 8.4% | 8.0% | -14.6% | -1.0% | 12.2% |

| | Trailing Week | Quarter-to-Date | Year-to-Date |
|-------------------------|---------------|-----------------|--------------|
| S&P 500 Index | 0.2% | 3.7% | 9.4% |
| NASDAQ Composite | 0.8% | 4.5% | 31.0% |
| International Developed | -1.5% | 1.5% | -5.7% |
| Emerging Markets | 0.1% | 3.9% | 2.7% |
| U.S. Aggregate Bond | 0.2% | 0.0% | 6.8% |
| U.S. Municipals | 0.1% | -0.3% | 3.0% |
| Corporate High Yield | 0.1% | 1.4% | 2.0% |

Source: Morningstar, see 'Disclaimer' for details

U.S. Equity Markets

- A rally early in the week, helped the S&P 500 Index narrowly secure its third consecutive week of gains. The Index is up close to 10% so far this year.
- Within the S&P 500 Index, industrial and utility stocks outperformed. Financials lagged as investors reacted to mixed earnings reports from large banks.
- The real estate sector also lagged given the heightened level of uncertainty pertaining to large portions of the market, especially hospitality, retail and office.
- Mega-cap technology stocks mostly rose over the week. Apple's stock logged a nearly 2% rise based on optimistic sales expectations for the recently released iPhone 12.
- Outside of large-cap stocks, most areas of the market were mixed. The small-cap and value-oriented Russell indexes had modest losses across the board.

International Equity Markets

- Developed non-U.S. equities fell for the week in USD terms. Emerging market equities fared more favorably and were modestly higher.
- European equities declined as coronavirus cases were on the rise and Brexit uncertainty remained.
- Japanese stocks fell for the week, although the yen strengthened modestly. Investors remained cautious over the ability to sustain massive levels of stimulus.
- Chinese stocks rallied as investors returned from the Golden Week holiday. The blue-chip CSI 300 Index rose over 2% in its third consecutive weekly gain.

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

- Yields were mixed on the week, with the curve lower heading into Friday's close. The yield on the 10-year Treasury opened the week around 0.776% and ended the week trading around 0.746%.
- The flattening of the curve helped push Treasury prices slightly up, as the spread between the 5-year and 30-year bond hovered around 120 basis points (1.2%).
- Despite the stronger than expected retail sales data, the curve was mostly unchanged and the focus remains heavily weighted on market sentiment and stimulus talks.
- The corporate spread for the iShares iBoxx Investment Grade Corporate Bond ETF, LQD, was approximately flat for the week.
- Municipals underperformed Treasuries on the week with benchmark yields 1 basis point (0.01%) lower across the curve.
- With record low rates and uncertainty surrounding the election, state and local governments are coming to market in record numbers to avoid volatility in the coming weeks.
- **Expanded fixed income commentary from Piton can be found using this [link](#).**

U.S. Economic Data/News

- Stimulus talks remained at an impasse as both sides of the aisle appeared far off in terms of the size of the package requested. President Trump has been advocating for a large relief bill, closer in size to the Democratic proposal. It remains uncertain if any deal will be made ahead of the election.
- Coronavirus concerns were again on the rise entering the winter months. Select areas of the country are experiencing case numbers not seen in months.
- Both Johnson & Johnson and Eli Lilly announced last Wednesday that they had to pause trials of coronavirus treatments based on potential adverse reactions. Pfizer, on the other hand, is seeking emergency use authorization for its vaccine as soon as this November.
- Weekly jobless claims reached a two-month high rising to nearly 900,000 as the labor market experiences a mixed path on its recovery.
- Core retail sales data rose 1.4% in September, reversing a downward trend in August. Early indicators for October consumer sentiment also surprised to the upside.

International Economic Data/News

- Coronavirus infections across Europe are also on the rise. Many European governments are imposing stricter, targeted measures to contain the spread. France recently imposed a nighttime curfew in Paris and other more densely populated cities.
- New lockdowns could throw a wrench in Europe's recovery according to the ECB. As a result, additional stimulus over the next few months or early in 2021, at the latest could be needed.
- Remember Brexit? Yes, it's still around and Prime Minister Boris Johnson recently said the country should get ready for a no-deal exit from the E.U. on 12/31 if an agreement can't be met.
- The Japanese government is looking into a potential third stimulus package to boost consumption. Newly elected PM Suga has asked a requested for a proposal on what that might look like.
- China/U.S. tensions are once again escalating. Over the weekend, China warned that it may detain Americans in response to the prosecution of military affiliated Chinese scholars.

Odds and Ends

- Here's some surprising news - credit scores have steadily risen amidst the coronavirus pandemic. The average FICO credit score was 711 in July, up from 708 in April and 706 a year ago. Early estimates also expect that average scores have kept rising through October. The increase is likely attributable to massive levels of government assistance, which in some cases, have helped borrowers pay down debts. Payment holidays have also freed up funds for other uses keeping credit reports clean in the meantime.
- Looking back at months of remote work, people are starting to realize what they love and what they could do without. A WSJ article reported that for the most part, people appreciate the flexible schedules, time to make home cooked meals, and the ability to move to new places. What is not so great is zoom fatigue, limited to no in-person interaction, and an even murkier blur between personal and work lives.
- SPACs, or Special Purpose Acquisition Companies, are one of those things that seems to come back in vogue every 5-10 years. These vehicles offer a sponsor the ability to raise capital for a public merger or acquisition within a specified amount of time. So far, there have been 143 SPAC IPO transactions this year. That compares to just 13 transaction in all of 2016.

Resource of the week:

- Scott Wilson is the CIO at Washington University of St. Louis, where he oversees a \$10 billion endowment. Scott joined Wash U three years ago from Grinnell College, where he learned a completely different style of endowment investing than is practiced by others. This episode of **The Capital Allocator's** podcast covers Scott's upbringing, early Wall Street career in equity research and derivatives across New York, London and Tokyo, and his leap to Grinnell. From there, Ted and Scott turn to his applying the Grinnell model at Wash U and transitioning an endowment model portfolio to a concentrated book. This conversation also covers updated thinking on hedge funds, frontier markets and underwriting individual ideas and managers in the context of a concentrated endowment portfolio. For insight into all these topics, give this episode a listen.
- **Podcast link:** <https://capitalallocatorspodcast.com/2020/10/04/wilson/>

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.