



# SUMMIT FINANCIAL

## Summit Snapshot: Week of October 26<sup>th</sup>, 2020

### Periodic Returns

	Trailing Week			Quarter-to-Date			Year-to-Date		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	0.2%	-0.5%	-1.2%	4.4%	3.5%	2.6%	-7.7%	10.1%	27.6%
U.S. Mid-Cap	1.2%	0.5%	-0.7%	6.9%	6.6%	6.2%	-6.8%	4.1%	21.0%
U.S. Small-Cap	1.9%	0.4%	-0.9%	10.9%	8.9%	7.0%	-13.0%	-0.6%	11.1%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	-0.5%	3.1%	8.9%
NASDAQ Composite	-1.1%	3.4%	29.6%
International Developed	0.1%	1.6%	-5.6%
Emerging Markets	1.1%	5.1%	3.9%
U.S. Aggregate Bond	-0.4%	-0.4%	6.4%
U.S. Municipals	-0.1%	-0.4%	2.9%
Corporate High Yield	0.2%	1.6%	2.2%

Source: Morningstar, see 'Disclaimer' for details

### U.S. Equity Markets

- Most indices ended the week mixed, as investors digested the seesaw negotiation talks centered around another economic stimulus package. Talks continued throughout the weekend, but an agreement between both political parties in the White House and Congress remains elusive.
- Small- and mid-cap stocks beat large-caps for the week. Separately, value stocks rose for the week while growth stocks fell, slightly reducing the outsized year-to-date performance gap.
- In sectors, communication services (2.2%) led all others supported by strong Facebook and Google results, while the technology sector (-2.2%) performed the worst after Apple and Microsoft fell.
- The week started out optimistically after President Trump indicated he was willing to approve a stimulus plan higher than the \$2.2 trillion Democratic proposal, but quickly turned on Monday after the proposal stalled in the Senate. By Thursday, Treasury Secretary Steven Mnuchin and House Speaker Nancy Pelosi then appeared to potentially almost be at terms for a deal.

### International Equity Markets

- Developed international equities were flat for the week in USD terms. Emerging market equities produced modest positive returns and beat developed markets for the second straight week.
- European stocks fell as represented by the MSCI Europe Index, and its nations are dealing with rapidly rising new coronavirus case counts amidst various new enforced lockdowns.
- Chinese stocks recorded minor gains in USD terms. The online-shopping giant Alibaba started to prep for "Singles Day", the world's largest consumer shopping event on November 11<sup>th</sup>. To show this day's breadth and success, Alibaba's total sales for last year's event were \$38.3 billion compared to \$7.4 billion online sales on Black Friday in 2019.

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

- On the week yields were higher as the curve steepened, with the spread between the 5- and 30-year bonds reaching a high of 129bps on Thursday.
- The ten-year tested the 200-day moving average, as yields touched 0.857% on Thursday.
- The corporate spread for the iShares iBoxx Investment Grade Corporate Bond ETF, LQD, was approximately flat to 4bps tighter this week.
- The majority of new corporate issuance came earlier in the week with healthy interest, averaging over 3x. The week's issuance came in at \$15.3 billion versus \$15 billion expected.
- Benchmark municipal yields were off slightly with the curve approx. 2 bps steeper on the week outperforming Treasuries. Supply and stimulus remain the focus.
- The new municipal bond issuance calendar remained crowded with another \$19 billion issued on the week. Continued fund inflows of \$607 million and a third of total issuance being taxable have contributed to more muted effects on tax exempt yields.
- **Expanded fixed income commentary from Piton can be found using this [link](#).**

## U.S. Economic Data/News

- Aside from the stimulus negotiations, other economic related news last week focused on third-quarter earnings results. Upwards of 91 companies in the S&P 500 reported results, with 84% of them that beat their estimates. Some notable companies and their week's returns related to earnings news are Snap (+55%), Twitter (+10%), Intel Corp (-11%), and Netflix (-8%).
- The housing market remains quite strong. Single-family home construction and overall building permits reached new 13-year high levels. Similarly, existing home sales increased 9.4% in September to their highest level since 2006.
- Weekly jobless claims surprised to the downside and tallied in at 787,000 filed claims through the week ending October 17<sup>th</sup>. Continuing claims fell to 8.4 million from 9.4 million the week prior.

## International Economic Data/News

- European Central Bank President Christine Lagarde warned the country may inevitably be losing momentum as localized governments impose new restrictions and lockdowns. Declining purchasing managers' data indicates the European economic recovery is slowing its pace. The composite PMI fell to 49.4 in October, below the expansion benchmark level of 50. The services PMI fell to 46.2, also reflective of pandemic-driven restrictions.
- News out of Japan was mixed. The Bank of Japan is expected to lower its GDP growth projections and inflation for the fiscal year after a rough economic second-quarter due to the pandemic. However, automobile and truck shipments to the U.S. and China both rose, indicative the country's exporting business is gradually improving.
- China reported its economy expanded 4.9% in the third quarter compared to a year earlier. Industrial output grew by 1.2% month-over-month in September passing pre-pandemic levels and is a stark reminder of the recovery still underway in the U.S. and Europe with industrial activity levels still 3% to 7% below their pre-pandemic levels. Highlighting the future of renewable energy companies, President Xi Jinping pledged China would achieve carbon neutrality by 2060.

## Odds and Ends

- New reported coronavirus cases are rising and setting records in the U.S. Over the weekend, the national new daily case count hovered near 80,000 and is surprisingly surging in the desolate Midwest and Rocky Mountains region. Experts forecasted the cooler Autumn weather could lead to new case spikes, while officials debate how to balance strict preventative measures with an economy that is yearning for growth. In October, the states with the highest number of cases per capita include North and South Dakota, Montana, and Wisconsin. This has led to approximately 42,000 people that are currently hospitalized in the U.S. from COVID-19.
- The electronics behemoth Samsung, very well-known as a flat-screen TV and smartphone provider, was lead for almost three decades by Lee Kun-hee. He died on Sunday after six years in a coma, paving the way for his son Lee Jae-yong to officially take the reins as chairman. Samsung is undoubtedly a leading manufacturer of various electronic devices but has not created their own software to help drive brandy loyalty since Kun-hee's hospitalization in 2014. Jae-yong has been unofficially performing the job duties during this time but will now cement his role.
- U.S. manufacturers are falling behind the demand levels for goods such as new cars, household appliances, and even paint cans. This lag can largely be attributed to impacted supply chains in various industries that have had to modify or temporarily halt production to curtail the virus spikes. Shortages in appliances stock include refrigerators, kitchen utensils, washing machines, and dryers. Consumers hope these companies can soon meet the ongoing levels of demand and prepare for the future.

## Resource of the week:

- In the late 1990s, Adam Lowry and Eric Ryan took on the notion that "green doesn't clean" by setting out to make soap that could clean a bathtub without harming the environment. Adam started experimenting with baking soda, vinegar, and scented oils, while Eric worked on making sleek bottles that looked good on a kitchen counter. Just a few years later, Adam and Eric were selling Method cleaning products in stores throughout the country, after a bold gamble got them on the shelves of Target. This episode of *How I Built This* features the founders of this biodegradable cleaning supplies company Method, and the journey they took to launch their company. If this topic interests you, enjoy listening to this episode.
- **Podcast link:** <https://www.npr.org/2020/10/08/921790089/method-adam-lowry-eric-ryan-2018>

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.