



SUMMIT FINANCIAL

Summit Snapshot: Week of October 5th, 2020

Periodic Returns

	Trailing Week			Quarter-to-Date			Year-to-Date		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	2.2%	1.8%	1.4%	0.5%	-0.2%	-0.8%	-11.1%	6.2%	23.3%
U.S. Mid-Cap	3.4%	3.2%	2.7%	1.7%	1.3%	0.5%	-11.3%	-1.1%	14.4%
U.S. Small-Cap	5.7%	4.4%	3.3%	3.2%	2.1%	1.1%	-19.0%	-6.8%	5.0%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	1.5%	-0.4%	5.1%
NASDAQ Composite	1.5%	-0.8%	24.3%
International Developed	1.5%	0.0%	-7.1%
Emerging Markets	2.2%	0.0%	-1.2%
U.S. Aggregate Bond	-0.1%	0.0%	6.7%
U.S. Municipals	-0.1%	-0.1%	3.2%
Corporate High Yield	0.9%	0.2%	0.8%

Source: Morningstar, see 'Disclaimer' for details

U.S. Equity Markets

- U.S. stocks finished the quarter on a positive note, rounding out Q3 with impressive gains. Growth and large-cap securities once again led the period.
- Small-caps and value were the strongest performers last week. Most sectors within the large-cap S&P 500 Index were positive except for energy which remains down nearly 50% year-to-date.
- Top performing S&P 500 sectors for the week included real estate (5.0%), financials (3.3%), and utilities (3.3%). Laggards included energy (-2.8%), IT (0.8%), and communication services (0.9%).
- Politics is having an increasing impact on markets as we near a contentious 2020 U.S. presidential election. News of President Trump testing positive for Covid-19 on Thursday evening put downward pressure on markets last Friday.

International Equity Markets

- Developed and emerging non-U.S. equities both generated positive returns last week in U.S. Dollar terms.
- European shares recovered as investors bought into beaten down sectors such as financials.
- Japanese stocks fell over a short week. Notably, trading was suspended last Thursday based on a system outage due to a technical glitch. It was the first time Japanese markets had suspended trading for a full day since 1999.
- Emerging market equities were helped by gains in Chinese stocks. Within Chinese markets, technology shares outperformed.

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

- U.S. Treasuries remained range bound throughout the week, closing the month with slight gains. Overall, the yield on the 10-year Treasury only moved ~13 basis points (0.13%) throughout trading sessions in September.
- The corporate spread for the iShares iBoxx Investment Grade Corporate Bond ETF, LQD, was approximately - 8 basis points (0.08%) tighter this week. For the month of September, primary calendar for bond issuance was focused inside 10-years vs. on the long-end. Issuers continue to call high coupon maturities in the front end to refinance out longer at low rates.
- After little movement in yields for most of the month, the AAA benchmark muni curve pivoted around the 5-year steepening 4 basis points (0.04%) on the week and approximately 7 basis points (0.07%) month-to-date.
- Amidst concerns over the ability of state and local governments to continue to weather the pandemic fallout without additional stimulus, municipal bond funds saw outflows of \$775mm for the week ended 9/30. This marks the first outflow since May after 20 consecutive weeks of inflows.
- **Expanded fixed income commentary from Piton can be found using this [link](#).**

U.S. Economic Data/News

- U.S. legislators remain torn on a stimulus package, although it appears progress is being made. The Republicans allegedly were willing to approve an aid package as high as \$1.6 trillion – significantly closer to the Democrats last \$2.2 trillion proposal.
- United and American Airlines announced plans for combined layoffs of 32,000 jobs last week. The industry continues to combat limited traffic and clarity on what the near- and medium-term future of air travel looks like.
- Monthly payrolls showed that employers added 661,000 jobs in September, well below consensus estimates of 850,000. Government employment also fell more than expected as states and municipalities continue to grapple with fiscal stress.
- Weekly jobless claims were more encouraging, with the number of Americans filing for unemployment reaching a post-pandemic low of 837,000. The Institute for Supply Management's (ISM) gauge of September manufacturing activity missed expectations, but two regional gauges surprised to the upside.

International Economic Data/News

- Many European nations announced more targeted actions to offset recent resurgences in coronavirus cases. While precautions are being taken, it appears less likely that full lockdowns will return.
- EU and U.K. trade talks continue although disagreements remain on both sides. The post-Brexit transition could remove sections of the withdrawal and potentially take action against the U.K. for infringing on prior agreement terms.
- Japanese coronavirus cases logged a significant drop in September and the government reduced its alert from a '4' – the highest level – to a '3.'
- China's PMI readings for September supported the country's recovery after being the first to control the pandemic. Business activity across most major areas of the economy came in ahead of expectations.

Odds and Ends

- Regal Cinemas, the second largest U.S. movie theater chain, is likely next in line to succumb to the coronavirus fallout. The company is expected to close all U.S. locations indefinitely after studios continue to delay big budget releases adding to pressure against ticket sales.
- A trio of scientists - Harvey J. Alter and Charles M. Rice, and Briton Michael – were awarded this year's Nobel Prize in Physiology or Medicine for the discovery of the hepatitis C virus in 1988, which is a major cause of liver cancer.
- Bed Bath & Beyond has been fighting a series of headwinds in recent years including the move to online and then the stifling blow from the coronavirus. But the company might have finally caught a break as shoppers are increasingly decorating their homes instead of traveling, dining out, etc. This has translated to improved operating metrics after the company reported its first year-over-year same store sales growth in 4 years.

Resource of the week:

- Dave Portnoy has made a name for himself after founding the blog Barstool Sports in 2003. You might have even come across one of his pizza reviews, where he visits a host of pizza restaurants across the country offering a slice rating from 1 to 10. A passion blog has turned into a media powerhouse with the company most recently valued at upwards of \$450 million. To learn more about Dave's journey, the business as it stands today and its future potential, this interview between Portnoy and Bloomberg Opinion columnist Barry Ritholtz is worth a listen.
- **Podcast link:** <https://www.bloomberg.com/news/audio/2020-10-02/dave-portnoy-on-the-business-of-sports-media-podcast>

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.