



# SUMMIT FINANCIAL

## Summit Snapshot: Week of November 16<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	5.7%	2.0%	-1.3%	10.0%	7.0%	4.4%	-2.7%	13.9%	29.7%
U.S. Mid-Cap	6.0%	3.2%	-1.5%	12.7%	11.1%	8.2%	-1.8%	8.5%	23.2%
U.S. Small-Cap	9.2%	6.1%	3.4%	18.6%	15.8%	13.3%	-6.9%	5.8%	17.7%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	2.2%	6.8%	12.8%
NASDAQ Composite	-0.5%	6.0%	32.9%
International Developed	3.9%	7.8%	0.2%
Emerging Markets	1.0%	9.9%	8.7%
U.S. Aggregate Bond	-0.1%	-0.1%	6.7%
U.S. Municipals	0.1%	0.4%	3.8%
Corporate High Yield	0.5%	3.1%	3.8%

Source: Morningstar, see 'Disclaimer' for details

### U.S. Equity Markets

- Positive vaccine news and election results early in the week supported markets. Major indexes briefly touched all-time intraday highs on Monday.
- Most major indexes realized gains, although growth-oriented sectors substantially lagged as the 'work from home' trade reversed.
- The narrow Dow Jones Industrial Average and smaller-cap stocks were the best performers after an extended period of lagging other respective indexes. Cyclical, value-oriented stocks far outpaced growth and technology names as investors started to price in a more normalized future operating environment.
- Elsewhere within the S&P 500 Index, the smaller sized real estate sector lost some ground as bond yields rose. Energy shares recovered some lost ground as oil prices rallied around similar future reopening optimism.

### International Equity Markets

- European shares also rallied on similar positive potential treatment options for the pandemic. Early week optimism was somewhat mitigated by rising infection rates and new lockdown measures.
- Japanese stocks posted impressive back-to-back weekly gains helping the TOPIX fall solidly into positive territory for the year, in U.S. dollar terms.
- Emerging market equities were positive but realized more muted gains relative to developed non-U.S. market counterparts.
- Chinese stocks were left out of the rally as trade dispute concerns overshadowed positive earnings and vaccine optimism.

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

- The start of the week saw U.S. Treasury prices down as yields climbed, and stocks remained volatile on election and vaccine news.
- The yield on the U.S. 10-year Treasury is currently around 0.885%, the middle of the weekly range, which saw a high of 0.975% on Monday.
- Corporate spreads were tighter at the beginning of the week but faded and widened out as COVID cases spiked and new restrictions were imposed.
- Investment grade issuance was light last week, however, there was a flurry of new deals in the last three trading sessions of this week.
- Municipals were slightly lower although the asset class modestly outperformed Treasuries. Fund funds reversed prior week outflows adding \$1.2 billion.
- With muted muni supply expected into year end, current supply/demand dynamics are supportive. 30-day visible supply of \$15.9 billion vs \$22.4 billion in redemptions.
- **Expanded fixed income commentary from Piton can be found using this [link](#).**

## U.S. Economic Data/News

- Last week started with two major developments. First, Former Vice President Joe Biden crossed the significant 270 electoral vote threshold over the weekend. Second, soon before trading on Monday Pfizer announced encouraging efficacy data on its leading vaccine that was over 90% effective on preventing infections.
- Early this week, a competing Moderna vaccine also had encouraging early testing. Results so far show that the vaccine is 94.5% effective from a Phase 3 trial with 30,000 participants.
- Treatment optimism aside, there are increasing signs that the pandemic will get worse before it will get better. The number of cases and hospitalizations rose almost uniformly across the country. Several major cities, such as Chicago and New York, appear on the verge of reimposing more stringent lockdown measures.
- Economic data was light last week and remained mixed. Weekly jobless claims fell more than expected and hit a new pandemic low, while consumer sentiment missed expectations and hit a 3-month low.

## International Economic Data/News

- Cases are also on the rise throughout much of Europe, although many Asian nations continue to fare better. Several key European countries, such as France and Germany, are or are in the process of extending lockdowns as the pace of infections has failed to slow.
- The ECB maintained a dovish and supportive stance in the light of increasing infections. ECB President, Christine Lagarde, signaled that the bank would extend pandemic asset support measures through year-end. The central bank also continues to reiterate that all options are on the table to continue supporting the economy throughout this crisis.
- Many Japanese companies have revised earnings forecasts higher during the recent reporting season. Positive revisions were largely a result of increased work-from-home demand and China's better than expected recovery. That said, companies most directly impacted by the pandemic continue to report amongst their worst years ever.

## Odds and Ends

- Golf may be entering a new era with Dustin Johnson's miraculous win at the Masters over the weekend. Four years on from his first major victory, Johnson is having a 2020 to remember. A maiden win at Augusta, his first Tour Championship title, two further PGA Tour victories and a return to the world top spot. At the Masters, Johnson posted a record score of 20 under par to win by an astonishing 5 strokes.
- SpaceX launched 4 astronauts to the space station over the weekend, starting a new period for domestic space travel and NASA. Prior to these recent launches, NASA was entirely reliant on Russian Soyuz spacecraft to transport Astronauts to and from the space station. Recent success with SpaceX produced rockets will likely bring this reliance to an end and potentially lead to exploring new frontiers.
- PNC Financial Services just inked a deal to buy the U.S. arm of Spain's BBVA for just under \$12 billion. This deal is one of the largest bank mergers since the financial crisis. The deal would create the 5<sup>th</sup> largest U.S. retail bank with more than \$550 billion in assets. The merger would more specifically bolster PNC's presence in fast-growing markets in the domestic southeast and west.

## Resource of the week:

- Okta might be a fairly unknown name despite many of us likely using their software behind the scenes as we work-from-home. The company was co-founded by Todd McKinnon in 2009 and is a leader of enterprise identity management. In other words, they make it a breeze to sign into a variety of apps with a single verification. In this episode of *Invest Like the Best*, host Patrick O'Shaughnessy sits down with Todd to discuss his decision to leave a prominent role at Salesforce to start Okta, the painful early years of growing the business, how companies can create and define a new market, the different roles he's had to play as the company grew and went public, and the frameworks he's put in place to continue to innovate and test new things as a public business.
- **Podcast link:** <https://investorfieldguide.com/todd-mckinnon-creating-and-defining-a-new-market-category-founders-field-guide-ep-7/>

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.