



# SUMMIT FINANCIAL

## Summit Snapshot: Week of November 23<sup>rd</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	0.1%	-0.2%	-0.5%	10.1%	6.8%	3.9%	-2.6%	13.7%	29.2%
U.S. Mid-Cap	0.9%	1.2%	1.6%	13.7%	12.4%	9.9%	-0.9%	9.7%	25.2%
U.S. Small-Cap	2.7%	2.4%	2.1%	21.8%	18.6%	15.7%	-4.4%	8.3%	20.1%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	-0.7%	6.0%	12.0%
NASDAQ Composite	0.2%	6.3%	33.2%
International Developed	1.9%	9.9%	2.1%
Emerging Markets	1.8%	11.9%	10.6%
U.S. Aggregate Bond	0.6%	0.5%	7.3%
U.S. Municipals	0.6%	1.1%	4.4%
Corporate High Yield	0.6%	3.8%	4.4%

Source: Morningstar, see 'Disclaimer' for details

### U.S. Equity Markets

- After initially reaching new highs earlier in the week buoyed by more good news around vaccines, most major equity indices ended the week with mixed results. The benchmark S&P 500 Index fell by 0.7% as new case numbers continue to rise across the nation.
- The vaccine news focused on Moderna's last Monday morning announcement that their mRNA vaccine is about 95% effective in preventing a recipient from contracting the coronavirus. Similarly, on Wednesday Pfizer updated their previously announced vaccine's efficacy rate to be about 95% as well, higher than initially reported near 90%. Pfizer then filed for emergency use authorization of the vaccine with the U.S. Food and Drug Administration on Friday.
- The energy sector (+5.6%) was far and away the best performing sector as stocks rose on hopes there is soon an end to the pandemic in 2021. Also, OPEC and other oil exporters hinted they may delay a global production increase that is planned for January. The health care (-3.0%) and utilities (-3.9%) sectors lagged.
- Small-cap stocks beat large-caps for the week while the growth versus value comparison was more muted as compared to prior weeks.

### International Equity Markets

- Most international equities were positive for the week. Both developed non-U.S. and emerging markets alike rose amid ongoing optimism surrounding potential vaccine developments.
- Several European countries are considering whether to extend existing lockdowns to hinder any spread opportunities, even though infection rates appear to have slowed. Despite these new lockdown threats, the MSCI Europe Index rose by 1.4%.

- Japanese stocks rose after solid economic data was released indicating stronger-than-expected third quarter GDP growth to the tune of 21.4% annualized, ahead of the 18.9% forecasted.
- Chinese equities rallied after several Asian-region countries (including China, Japan, South Korea, Australia, and New Zealand) signed the Regional Comprehensive Economic Partnership (RCEP) to form a free trade area that represents more than 30% of global GDP levels. It's aimed at eliminating or reducing tariffs and quotas for the majority of regional trade deals.

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

- Yields were higher across the curve on Friday but below the week's highs. The 10-year is at 0.842%.
- The spread between the 2-year and the 10-year yield narrowed to 67bps, with the 5-year & 30-year down to 117bps.
- The corporate spread for the iShares iBoxx Investment Grade Corporate Bond ETF, LQD, was approximately -6 bps tighter this week. Spreads are the tightest they've been since February.
- New deals and volume are expected to taper off as we head into the holiday week. The street is projecting zero to \$5 billion of new debt.
- Municipals outperformed Treasuries for the week with the AAA yield curve flattening approximately 10bps. Mutual funds added \$1.3 billion in inflows for the week.
- Supply/demand dynamics remain supportive with 30-day visible supply of \$6.87 billion vs \$24.7 billion of redemptions.
- **Expanded fixed income commentary from Piton can be found using this [link](#).**

### **U.S. Economic Data/News**

- Aside from the positive vaccine news, other economic-related news was mixed. New COVID-19 case counts continued to rise throughout the country, which has begun to stress hospitals and the health care system. New York City public schools returned to a fully virtual mode on Thursday which hurt the city's recovery efforts. Data also indicates that consumers are staying closer to home when possible, but it is unclear if this is because of new mandates or personal preference to battle the virus.
- Any chances for a new stimulus package appear slim from a bipartisan government as President Donald Trump continues to recede the election. However, rumors circulated that Senate Majority Leader Mitch McConnell indicated he would be open to resuming stimulus talks in Congress.
- Weekly jobless claims rose for the first time in a month to 742,000. Continuing claims through state-led networks fell to 6.4 million but was offset from rising claims through a federal benefits program to 4.4 million.
- Retail sales excluding autos in October grew at the slowest pace since April. The housing sector remains as the clear bright spot as sales and construction levels reached their highest since 2007.

### **International Economic Data/News**

- As Europe deals with developing lockdown news, the European Union's latest financial recovery package was blocked by Hungary and Poland on account of the embedded clause that allows the EU to block disbursements to specific countries. Talks will resume to resolve this conflict.

- Japan's Prime Minister Yoshihide Suga and the International Olympic Committee President Thomas Bach agreed the summer 2020 Tokyo Olympics should be held if possible (in 2021), to indicate a defeat of the virus. Safety-related details have not yet been decided for the games.
- News out of China was limited besides the previously mentioned RCEP trade deal. Separately since there were many defaults by state-owned enterprises, Chinese high-yield bonds' yields rose even higher. Most Chinese investors believe the capital Beijing would prevent a total collapse though.

### **Odds and Ends**

- Basketball is planning for interruptions at both the professional and college levels. In the NBA, the Toronto Raptors will begin the season, set to commence on December 22<sup>nd</sup>, playing their home games in Tampa, Florida. This is because the franchise was unable to reach a deal with the Canadian government allowing frequent cross-border travel. The NCAA has planned to hold all 2021 March Madness games in a "bubble" set in Indianapolis after the 2020 games were canceled due to the pandemic. Fans hope this will allow the games to complete and crown a champion.
- Tesla stock spiked about 20% last week following news it would be joining the S&P 500, which is likely to further boost the stock's market-cap based on investments that track the index. The stock price has thus far risen almost 500% in 2020 giving the company a market-cap above \$400 billion and positioning it to be one of the 10 largest holdings in the index. Some investors worry that the addition of the stock poses issues since other stocks need to be trimmed, increasing costs.
- As a sign of what may soon be commonplace, New York City restaurant City Winery will launch a pilot "test-to-table" program in which diners will be required to take a rapid COVID-19 test at the entry door before being allowed inside the restaurant. Each diner will have to pay the \$50 cost for the test on top of dining costs. While awaiting the results, they'll be able to sip on a glass of champagne, but not guaranteed entry to the restaurant. While not perfect, it may be the unique short-term solution that some restaurants follow to avoid shutting down for good.

### **Resource of the week:**

- In 2006, Drew Houston got on a bus from Boston heading to New York. He planned to use the three-hour ride to get some work done, so he opened his laptop, and realized he had left his thumb drive with all his work files at home. He decided he never wanted that problem again, so he began writing the code to build a cloud-based file storage and sharing service he called Dropbox. Today that company is publicly owned (ticker is DBX) and worth almost \$8 billion. Enjoy this episode for the classic case of an entrepreneur who faced a problem and overcame it achieving long-term success.
- **Podcast link:** <https://www.npr.org/2020/11/06/932199300/dropbox-drew-houston>

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

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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 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 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.