



SUMMIT FINANCIAL

Summit Snapshot: Week of November 2nd, 2020

Periodic Returns

	Trailing Week			Quarter-to-Date			Year-to-Date		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	-5.5%	-5.7%	-5.9%	-1.3%	-2.4%	-3.4%	-12.7%	3.8%	20.1%
U.S. Mid-Cap	-5.6%	-5.6%	-5.7%	0.9%	0.6%	0.1%	-12.0%	-1.7%	14.1%
U.S. Small-Cap	-6.6%	-6.2%	-5.8%	3.6%	2.1%	0.8%	-18.7%	-6.8%	4.7%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	-5.6%	-2.7%	2.8%
NASDAQ Composite	-5.5%	-2.3%	22.5%
International Developed	-5.5%	-4.0%	-10.8%
Emerging Markets	-2.9%	2.1%	0.9%
U.S. Aggregate Bond	0.0%	-0.4%	6.3%
U.S. Municipals	0.1%	-0.3%	3.0%
Corporate High Yield	-1.1%	0.5%	1.1%

Source: Morningstar, see 'Disclaimer' for details

U.S. Equity Markets

- Domestic equities recorded their worst weekly decline since March amidst surging coronavirus cases, the election outcome uncertainty, and lack of additional fiscal stimulus (for now).
- Most major indices fell into correction territory (down more than 10% from recent peaks), although the S&P 500 Index narrowly missed this mark.
- The declines were broad-based with the IT and consumer discretionary sectors falling the most. More defensive sectors, such as utilities, generally fared better.
- By market-cap, small-caps narrowly underperformed large-caps as investors generally fled to quality. The dispersion between value and growth stocks was more mixed.
- The Cboe Volatility Index reached its highest level since early June, although the Index remained well below levels reached in March earlier this year.

International Equity Markets

- Most international equity markets also declined. Developed, international equities fell to similar levels as U.S. equities. Emerging market equities generally held up better but still were down.
- European shares fell the most since March as investors digested new lockdown efforts to contain a surge in COVID cases. U.S. political uncertainty also appeared to weigh on global sentiment.
- Chinese stocks were lower but had smaller losses than other indexes. Smaller declines in a large constituent supported emerging market benchmarks.
- Chinese fintech company Ant Group is nearing its mega IPO. The company, an offshoot of Chinese e-commerce giant Alibaba, aims to raise around \$35 billion by selling an 11% stake in a dual Hong Kong-Shanghai listing in what promises to be the world's largest IPO, exceeding Saudi Aramco's \$29 billion sale last year.

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

- Treasuries were down on the week with losses across the entire curve, led by the long end.
- The 10-year yield was choppy, reaching 0.76% on Tuesday, back approaching the 0.84% levels the prior week.
- The corporate spread for the iShares iBoxx Investment Grade Corporate Bond ETF, LQD, was approximately 5 basis points (0.05%) wider this week.
- Primary corporate issuance is slower leading into the election. The year-to-date insurance run rate is 64% (\$1.62 trillion).
- Municipal yields were 2-3 basis points (0.02%-0.03%) flatter, underperforming Treasuries slightly for the week. The Broad Municipal Index was down -0.29% over October.
- Municipal funds saw inflows of \$582 million for the week ended 10/28, following a \$607 million inflow last week. Funds have seen inflows in 24 of the last 25 weeks dating back to May.
- **Expanded fixed income commentary from Piton can be found using this [link](#).**

U.S. Economic Data/News

- COVID-19 cases continued to rise across the country. Hospitalizations rose by at least 10% over the past week in more than 30 states.
- There was some positive news on treatment progress against rising cases. AstraZeneca reported early data showing that its vaccine candidate produced a robust immune response in the elderly.
- Economic data was generally upbeat. U.S. GDP increased at an annualized rate of 33.1% over the third quarter, ahead of consensus estimates of closer to 31%.
- Weekly jobless claims also came in ahead of expectations and reached a new pandemic low. Continuing claims kept declining but were more in-line with anticipated figures.
- Last week marked the height of the third-quarter earnings reporting season with 180 of the S&P 500 constituents reporting. Most of the tech giants reported and bested estimates, although strong earnings were not enough to keep many of these names in positive performance territory for the week.

International Economic Data/News

- Many major European countries imposed stricter lockdown measures to help contain a recent surge in cases. Notably, new restrictions will likely allow many some businesses and schools to remain open in efforts to soften the blow to the economy and way of life.
- The European Central Bank (ECB) maintained a dovish stance keeping its deposit rate unchanged at -0.5%. Notes from their recent meeting indicated that risks were still tilted to the downside and that they will continue to reassess the economic outlook to calibrate easing efforts.
- The Bank of Japan (BoJ) lowered its growth outlook for the remainder of 2020 as it believes that a recovery in demand for services could take longer than expected based on the pandemic. It also kept rates unchanged at its last meeting with the short-term policy rate set at -0.1%.
- The People's Bank of China (PBOC) asked local banks to suspend the use of a countercyclical factor (CCF) in fixing the renminbi's daily midpoint against the USD. The move was interpreted as an effort to allow the currency to become more market driven.

Odds and Ends

- A booming mortgage industry fueled by record-low rates has translated to a mortgage company IPO wave. Following the public market debut of Rocket Companies, at least 6 of the largest 30 U.S. mortgage lenders have or are seeking to go public this year.
- SpaceX launched the public beta for their Starlink broadband service. Sounding (and being) like something from the future, the Starlink service offers satellite-based high-speed internet service across the globe. Users of the public beta are required to purchase a \$500 hardware package and pay \$99 a month for the service.
- Joe Rogan's "The Rogan Experience" is one of the most popular podcasts in existence. So much so that Spotify recently etched a \$100 million exclusive deal. Popularity aside, the polarizing broadcast is creating a divide inside the company as the episodes often take stark views on controversial topics. The divided has contributed to Spotify reaffirming controls on all their content that will result in defined consequences if violated.

Resource of the week:

- Aside from being well-established venture investors, Ben Gilbert and David Rosenthal are the duo behind the Acquired podcast that dives deep into business history and famous acquisitions. This unique 2-guest episode of *Invest Like the Best* reflects on some of the greatest corporate acquisitions of all time and discuss investing lessons Ben and David have learned across their careers. It is sometimes astonishing to reflect on how much value has been created from several of these transactions and this episode is surely worth a listen if this topic is of interest.
- **Podcast link:** <https://investorfieldguide.com/ben-gilbert-and-david-rosenthal-of-acquired-lessons-on-early-stage-investing-and-getting-acquired-invest-like-the-best-ep-196/>

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.