



# SUMMIT FINANCIAL

## Summit Snapshot: Week of November 9<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	5.5%	7.5%	9.4%	4.1%	4.9%	5.7%	-8.0%	11.7%	31.4%
U.S. Mid-Cap	5.3%	6.9%	9.7%	6.3%	7.6%	9.9%	-7.3%	5.1%	25.2%
U.S. Small-Cap	4.9%	6.9%	8.7%	8.7%	9.1%	9.6%	-14.7%	-0.3%	13.8%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	7.4%	4.5%	10.3%
NASDAQ Composite	9.0%	6.6%	33.6%
International Developed	8.1%	3.8%	-3.6%
Emerging Markets	6.6%	8.8%	7.6%
U.S. Aggregate Bond	0.5%	0.0%	6.8%
U.S. Municipals	0.6%	0.3%	3.7%
Corporate High Yield	2.1%	2.6%	3.3%

Source: Morningstar, see 'Disclaimer' for details

### U.S. Equity Markets

- U.S. stocks ended the week with their largest increase since April after Election Day turned into a week-long affair. After a long proceeding, with various states tallying different types of votes, former Vice President Joe Biden emerged victorious and was declared the President-elect late Saturday morning.
- Equities increased across the board as the election outcome was unknown for most of the week and investors anticipated a bipartisan Congress. This presented a “Goldilocks” scenario indicative of additional fiscal stimulus but less tax increases than under a “blue wave” Democratic sweep.
- Large-cap stocks beat small-caps and growth outperformed value as represented by their respective Russell indices. The week was filled with many market catalysts including companies’ earnings releases, shifting investor sentiment because of the election, encouraging unemployment statistics, and surging amounts of new COVID-19 cases.
- All sectors increased and were led by technology which rose about 10%. Likewise, the tech-heavy Nasdaq Composite Index advanced around 9%. On the flipside, the energy sector also rose but only by less than 1% following continued unimpressive levels of demand.

### International Equity Markets

- Like the U.S., international equities were up around the world. As represented by their Russell indices, developed markets rose 8% which beat emerging markets’ increase of under 7%.
- Equities in European nations and Japan rallied as the U.S. election news echoed across the globe. Some European companies also reported strong quarterly earnings reports and were boosted by the additional stimulus measures announced in the U.K. This comes despite increasing amounts of new COVID-19 cases and new lockdowns.

- Chinese stocks advanced as the probability of a Biden presidency increased and means there may be more cordial, improved U.S.-China relations in the future. It is anyone's guess whether the cross-border investments and trade policies will change, but equities reacted positively.
- Chinese fintech company Ant Group had their largest-ever \$37 billion IPO surprisingly postponed attributed to a changing regulatory environment. Founder Jack Ma criticized China's banks and financial regulators' level of oversight right before the IPO suspension was announced.

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

- The spread between the 2-year and the 10-year Treasury yields reached a high of 72.7bps on election day, only to flatten to 67.3bps on Friday. Less movement was seen in the spread between the 5-year and the 30-year bond which remained range-bound around 124bps.
- After hitting an intraday high of 0.927% on November 3rd, the 10-year yield is back down to sessions lows after the strong October jobs report.
- In recent trading sessions, credit spreads have tightened as the presidential election became more apparent. Last week's uncertainty in the US presidential election created an overcast on the market as investors fled to safe-haven assets like the U.S. treasury.
- Looking ahead, Monday will be a busy day for primary corporate issuance. Talks of over 10 deals and projecting about \$30 billion of new debt is on the table.
- Municipals rallied with Treasuries on the heels of the election flattening the curve with benchmark yields 2-14bps lower on the week.
- Investors pulled money from municipal bond mutual funds heading into the election with outflows of \$954 million for the week ended 11/4.
- **Expanded fixed income commentary from Piton can be found using this [link](#).**

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

- Daily counts of COVID-19 cases surpassed 100,000 per day for the first time and hospitalizations consequently rose as the coronavirus continues to spread throughout the nation (and world). Some states and municipalities are pondering new restrictions which would thwart improvements in the labor market.
- The October employment report indicated there were 638,000 jobs added to the economy which drove down the unemployment rate to 6.9% from 7.9% more recently through September.
- The Federal Open Market Committee (FOMC) met last week and maintained dovish policies, leaving the target federal funds rate in the 0% to 0.25% range for the time being. However, Federal Reserve Chairman Jerome Powell is not ruling out any future policy actions to stimulate growth.

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

- Many European nations, including England, Greece, France, Spain, and Italy, implemented new lockdowns for at least a few weeks into December. Italy even segregated regions as "red zones" intended to keep people contained unless they are required to leave for work, study, health, or other essential reasons.
- The Bank of Japan has no plans to alter its ETF purchases or trim the existing holdings it owns which are part of the bank's monetary easing steps announced in March. The purchases provide markets with liquidity and stability and doubled in size to ¥12 trillion (\$115 billion) on an annual basis.

- Different Purchasing Managers' Index (PMI) surveys from China suggested that Chinese companies had confidence in how Beijing is handling their economic recovery. Likewise, a Caixin PMI report had strong results as the manufacturing gauge recorded its highest level since 2011.
- Interestingly Mexico is developing innovative ways to offset their economic impact. This includes better tax collection, eradication of tax evasion, and increased non-tax revenues but not any fiscal stimulus. For the year through September, the GDP deficit level is only a moderate -2.3%.

### **Odds and Ends**

- President-elect Joe Biden's first plan of action when he is inaugurated is to address the pandemic head-on. Until then he plans to name a group of advisers to the coronavirus task force and other policy areas. At this point President Trump has made no plans to concede the race, but time will tell as legal proceedings play out and potentially alter the outcome or not.
- Alex Trebek, the Canadian-born television personality and host of long-running quiz gameshow "Jeopardy", died Sunday morning at 80 years old. He battled pancreatic cancer for more than two years although no definitive cause of death has been announced. He will be missed after being the face for decades of one of the most recognized gameshows in American history.
- Automats may make a comeback during the pandemic after being invented over a century ago and were phased out of commonplace in the 1970s. However, since they provide prepared food in a separate cubby avoiding human-to-human contact, they are ideal for a social-distancing effort to support restaurants. Two new locations are slated to open soon in Jersey City, N.J. and Brooklyn, N.Y. and could be the missing link needed to bridge the gap in restaurants' sales.

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

- One of the most knowledgeable people in private equity and other subsectors in the asset class, Mario Giannini, is interviewed on this episode of *Masters in Business*. Mario is currently the CEO of private markets business Hamilton Lane, a rare private-equity firm that is publicly traded. Hamilton Lane oversees more than \$500 billion in private assets, of which \$68 billion is discretionarily managed. The firm offers access to many private market sectors and asset classes (debt, equity, real estate, real assets) that may be considered illiquid. Have a listen if you would like to be further educated on the industry in general given from a top player in the space.
- **Podcast link:** <https://www.bloomberg.com/news/audio/2020-10-30/mario-giannini-on-the-art-of-investing-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.