



SUMMIT FINANCIAL

Summit Snapshot: Week of December 7th, 2020

Periodic Returns

	Trailing Week			Quarter-to-Date			Year-to-Date		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	1.9%	1.8%	1.6%	15.4%	11.5%	8.1%	2.0%	18.7%	34.4%
U.S. Mid-Cap	1.9%	2.0%	2.3%	19.0%	17.6%	15.2%	3.7%	14.9%	31.2%
U.S. Small-Cap	2.6%	2.0%	1.5%	30.5%	25.8%	21.5%	2.4%	14.8%	26.2%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	1.7%	10.3%	16.5%
NASDAQ Composite	2.1%	11.8%	40.1%
International Developed	1.0%	13.5%	5.4%
Emerging Markets	1.7%	15.8%	14.4%
U.S. Aggregate Bond	-0.4%	0.0%	6.8%
U.S. Municipals	0.1%	1.3%	4.6%
Corporate High Yield	0.9%	5.3%	6.0%

Source: Morningstar, see 'Disclaimer' for details

U.S. Equity Markets

- Four of the most well-known indices – S&P 500, Dow Jones Industrial Average, Nasdaq Composite, and Russell 2000 – closed the week all at new high levels for the first time since early 2018.
- Most sectors rose for the week led by energy. That sector rebounded after OPEC and other major oil producers agreed to reduce future production cuts more gradually by around 500,000 barrels per day. Utility stocks lagged after falling around 2%.
- Following Pfizer's lead, Moderna also requested emergency use authorization for its vaccine from European and U.S. regulators. A response may come after the scheduled December 17th meeting.
- Most market-caps and styles rose across the board which reduced the outperformance between any specific categories. Small-cap value rose 2.6% which marginally led other sizes and styles.

International Equity Markets

- On Tuesday, Pfizer and its partner BioNTech applied to the European Union for emergency use authorization of their recently communicated coronavirus vaccine. Then 24 hours later the U.K. granted approval for emergency use, the first nation in the Western hemisphere to receive authorization. Positivity briefly waned on Thursday after its vaccine production was quoted as being subject to supply chain concerns.
- Many international equities advanced dependent on the region given the positive vaccine news, as emerging markets outpaced developed markets represented by their respective MSCI indices.
- European equities were mixed based on the region and index but the U.K.'s approval of Pfizer's new vaccine helped the large-cap FTSE 100 Index spike almost 4% in USD terms for the week.
- Both Japanese and Chinese stocks fell as China deals with additional local firms that are newly restricted to U.S. investors. The SEC is developing a plan to hopefully move past these restrictions.

Credit Markets

- The 10-year Treasury yield rose ~ 13bps higher on the week to 0.974% as of Friday afternoon.
- Rates in general rose after nonfarm payroll data came in below consensus estimates which increased the likelihood that a stimulus will be pushed through Congress.
- The corporate spread for the iShares iBoxx Investment Grade Corporate Bond ETF, LQD, was approximately -8 bps tighter this week.
- The ECB decided to extend their pandemic bond buying program, potentially to mid-year 2022. Meanwhile the Federal Reserve bond buying program, the Secondary Market Corporate Credit Facility will expire December 31st, 2020.
- Municipals outperformed Treasuries on the week tightening ratios to pre-pandemic levels.
- Light supply combined with fund inflows, \$201mm for the week ended 12/2, have continued to provide support to the municipal bond market.
- **Expanded fixed income commentary from Piton can be found using this [link](#).**

U.S. Economic Data/News

- Aside from the positive vaccine news related to the U.K.'s approval of Pfizer and BioNTech's vaccine emergency use-case, the U.S. is awaiting an approval from the FDA which could happen this coming week. The U.S. Food and Drug Administration is slated to have a thorough meeting to review the Pfizer vaccine this Thursday. If the outcome is positive, approval could follow soon after. Likewise, the next "review" meeting of Moderna's candidate is scheduled for December 17th.
- Hopes of passing another stimulus grew new legs after a new \$908 billion package was proposed by bipartisan Senators on Tuesday. It's unclear if talks will gain momentum since Senate Majority Leader Mitch McConnell said he was looking for a package closer to \$500 billion in total.
- The November nonfarm payroll data was murky after being released on Friday. The economy added about 245,000 in November which was a steep drop from the 610,000 added in October. The unemployment rate ultimately fell to 6.7%. However, economists are concerned the employment market is reaching a plateau that ironically a new stimulus package can overcome.

International Economic Data/News

- The European Commission is set to exclude Hungary and Poland from the proposed €750 billion stimulus package if they continue to block the plan put forth by the other contributing nations. Lawyers have determined ways to make this happen which will surely be a heated debate.
- Japan's industrial production rose by 3.8% in October, well ahead of forecasts. The gains were largely driven by increased output in industrial machinery, automotive, and electronics, all of which are encouraging signs as the country grapples with increasing cases of COVID-19. On the contrary, the unemployment rate slightly rose to 3.1% as hospitality sector job losses accelerated.
- As the U.S. institutes new restrictions on local companies accused of having ties to the Chinese military, foreign investors' interest in Chinese assets stands pat. Foreign purchases of Chinese government bonds increased in November, but global portfolio managers remain underweight China's mainland bonds relative to the Bloomberg Barclays Global Aggregate Bond Index. Separately, China reported its manufacturing PMI rose to 52.1 in November from 51.4 in October for the ninth straight monthly increase indicative the economic recovery is in full effect.

Odds and Ends

- As new cases of COVID-19 spike across the globe, at least two new cases are notable. First Rudy Giuliani, President Trump's personal attorney and former mayor of New York City, tested positive as announced on Sunday. He is currently being attended to at Georgetown University Medical Center. Secondly a Columbian cyclist named Fernando Gaviria tested positive for the disease for the second time in October, roughly eight months after his first diagnosis. He said he felt completely fine symbolic of being asymptomatic but is one of only a handful of known cases of reinfection in the world. Surely more research will be done to better understand this anomaly.
- The IPO market is sizzling in this unique dynamic, at a time when normally IPOs are dormant in December. The next two known names to be offered this year include Airbnb Inc. and DoorDash Inc. Each company's valuation is actively being worked on, but analysts expect Airbnb to debut in the range of \$56 to \$60 while DoorDash near \$95 per share or higher. Thus far this year more than \$140 billion has been raised in IPOs, well above the previous annual record from 1999.
- Major sports leagues were criticized early in the pandemic for requiring easy access to COVID-19 tests when sports resumed action. However, now health officials think having sports athletes, celebrities, and icons first receive the not-yet-released vaccines will help to ease concerns the public exhibits to receiving a vaccine. This approach contradicts the initial plan to first vaccinate the most vulnerable and essential Americans but is an idea to spur up additional vaccine comfort.

Resource of the week:

- As previously announced, the former CEO of Zappos, Tony Hsieh, has died and was only 46 years old. Tony was a computer scientist whose first company made millions off the dot-com boom, but he didn't make his mark until he built Zappos – a customer service company that “happens to sell shoes.” Tony stepped down as CEO of Zappos in August 2020 around the time when the company was worth over a billion dollars and known for its unorthodox management style. This episode of *How I Built This with Guy Raz* is from 2017 but worth a listen to better understand the remarkably unique company he built.
- **Podcast link:** <https://www.npr.org/2020/11/24/938418035/remembering-tony-hsieh-of-zappos>

Sources: The WSJ, T. Rowe Price Global Markets Weekly Update

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 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.