



SUMMIT FINANCIAL

Summit Snapshot: Week of January 4th, 2021

Periodic Returns

	Trailing Week			Quarter-to-Date			Year-to-Date		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	1.3%	1.1%	0.9%	16.3%	13.7%	11.4%	2.8%	21.0%	38.5%
U.S. Mid-Cap	0.9%	0.0%	-1.5%	20.4%	19.9%	19.0%	5.0%	17.1%	35.6%
U.S. Small-Cap	-0.2%	-1.4%	-2.5%	33.4%	31.4%	29.6%	4.6%	20.0%	34.6%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	1.5%	12.1%	18.4%
NASDAQ Composite	0.7%	15.6%	44.9%
International Developed	1.4%	16.0%	7.8%
Emerging Markets	3.0%	19.7%	18.4%
U.S. Aggregate Bond	0.2%	0.7%	7.5%
U.S. Municipals	0.1%	1.8%	5.2%
Corporate High Yield	0.5%	6.5%	7.1%

Source: Morningstar, see 'Disclaimer' for details

U.S. Equity Markets

- During the previous holiday-shortened week, major indices hit all-time highs again but ended mixed. The week capped off a historical year in equity markets overall following extreme volatility experienced early in the year as the pandemic unfolded, and ironically rebounded as many indices set several new high watermarks.
- Represented by their respective Russell indices, small-cap stocks declined and lagged the positive performance of their large-cap counterparts. Additionally, value beat growth for the week albeit the level of dispersion was less pronounced than in the past. Value ended the year with a positive return but severely lagged growth.
- The S&P 500 Index rose 1.5% for the week and was reflected as such in nearly every sector. In fact, all sectors but one rose led by utilities which advanced more than 2%, while energy stocks fell.
- There were two main catalysts that assisted the markets last week including the surprise signature of President Trump to solidify the second coronavirus relief bill worth \$900 billion. Also continued optimism persisted in vaccine-related news as another mainstream vaccine, developed by AstraZeneca and Oxford University, was approved for use in the U.K. This vaccine's approval follows the previous two vaccines developed by Pfizer/BioNTech and Moderna.

International Equity Markets

- International developed markets (as measured by the MSCI EAFE Index) rose 1.4% but lagged emerging markets' increase of 3.0% in USD terms. Emerging markets were largely boosted from strong performance emanating out of China as investors widely anticipated strong growth in 2021.
- European equities rose following a flurry of news items. First, the U.K. extended strict restrictions to impacted areas hoping to curb new infections and hospitalization rates, and simultaneously

began distributing the newly approved vaccine developed by AstraZeneca. Also, the European Union and China agreed on a new investment treaty after several years of negotiation talks. The parties have not yet ratified the treaty although the E.U. hopes it will take effect in 2022.

- Japanese stocks increased even though local exchanges were only open for the first three days of the week, remaining closed on New Year's Eve and Day. For the year, the yen increased almost 5% relative to the U.S. Dollar as markets struggled to justify the premium paid for the Dollar.

Credit Markets

- The benchmark 10-year U.S. Treasury yield fell slightly to end the week at 0.917%. This was likely at least partially attributable to typical month-end buying activity as investors target at least a full month or year holding period.
- Investment-grade credit spreads tightened throughout the week despite light volume and the fact that no new deals were issued at the end of the year. Investment-grade corporate bonds advanced nearly 0.5%, in line with their high-yield cousins which took advantage of improved investor sentiment.
- Municipal bonds benefitted again from strong weekly inflows as the Bloomberg Barclays Municipal Index increased modestly by 0.1%.

U.S. Economic Data/News

- As previously announced, President Trump signed the most recent new coronavirus relief package into law on the evening of Sunday December 27th. It came as sort of a surprise to analysts since Trump publicly critiqued the "ridiculously low" \$600 payments to qualified individuals. Regardless, the package passed and funds are now available to many parties affected by this hardship caused from the pandemic.
- As Trump previously requested, the House of Representatives quickly convened to discuss increasing the payments to individuals to \$2,000 and passed legislation on Monday night. The bill then went to the Senate and was abruptly halted after Senate Majority Leader Mitch McConnell denied its progress. He said the Senate would soon focus on a few initiatives that Trump has mentioned but nothing yet has materialized.
- On the vaccine front, aside from the U.K.'s approval to use the AstraZeneca candidate, news was murky. The Pfizer/BioNTech and Moderna's vaccines are being distributed to hospitals and health care facilities throughout the country, although at a slower pace than expected. Separately, the first case of a more contagious coronavirus strain initially identified in the U.K. was in Colorado on Tuesday. Additional states including California and Florida have reported cases too. Experts worry the recent high level of travel experienced during the holiday season may exacerbate the spread.
- The week's economic news was expectedly dormant aside from the surprise decline in weekly unemployment claims to 787,000 through December 26th. This is the lowest level in about a month.

International Economic Data/News

- After the U.K. and the European Union reached a post-Brexit trade agreement, the new treaty was overwhelmingly voted into U.K. law by Parliament. The new trade deal was also partly responsible for the euro's highest level versus the USD in 2020, near 1.23 U.S. dollars per euro.

- Newly released economic data from Japan showed that Japanese industrial output was flat in November, well below the forecasted 1.2% growth rate. This is reflective of the slower-than-expected recovery rate and the recent new case surges. The government also reported that Japan's nationwide retail sales declined in November and consumer prices fell at their fastest pace in a decade.
- News from China was mostly muted aside from the ongoing speculation of the Ant Group. On Thursday Bloomberg reported the People's Bank of China is considering actions to force Ant Group to dissolve equity investments in some financial firms. This would likely hinder its influence in the financial sector.

Odds and Ends

- During the pandemic, most people who had the option to work from home did just that. Soon after businesses reopen once again, post vaccine-deployment and near full occupancy levels, experts expect the typical commute time will likely be less than it was pre-pandemic as many people will still choose to work from home at least part-time. A helpful analogy is to think of it as maybe an extra lane, express train, or direct flight was amended to each daily commute and the burden should feel less impactful on individuals.
- Israel has shockingly vaccinated more than 12% of its population, well above any competing nation in the world. For comparison purposes both the U.S. and U.K. have vaccinated a little over 1% each. They began the process on December 20th by vaccinating health-care workers and people over the age of 60. It's unclear if the supposed superior health-care system that which every person in the country is registered to by law is responsible, but impressive nonetheless.
- Nancy Pelosi won her fourth term as the House speaker on Sunday after narrowly edging out Minority Leader Kevin McCarthy in a 216-209 vote. The extreme narrow margin of victory is indicative of the expected difficulty the House Democrats will face to pass legislation in the new Congress going forward.

Resource of the week:

- The financial services industry can be navigated in many different ways with multiple paths to success emerging over time. This episode of *Masters in Business* features a conversation with Dave Welling, CEO of Mercer Advisors. Mercer is a Denver-based RIA that currently manages more than \$21 billion, much of which Dave is responsible for helping to grow. Welling's nontraditional career path involves experience in consulting, private equity, and technology, which has given him a unique perspective of the financial services business. Give this episode a listen to learn more about his viewpoint on the inner workings of the industry.
- **Podcast link:** <https://podcasts.apple.com/us/podcast/dave-welling-on-what-financial-services-should-look-like/id730188152?i=1000504011793>

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

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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.

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