



# SUMMIT FINANCIAL

## Summit Snapshot: Week of January 19<sup>th</sup>, 2021

### 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%	-1.3%	-2.4%	2.8%	0.8%	-1.2%	2.8%	0.8%	-1.2%
U.S. Mid-Cap	0.4%	-0.1%	-0.9%	3.6%	3.1%	2.2%	3.6%	3.1%	2.2%
U.S. Small-Cap	1.7%	1.5%	1.3%	7.8%	7.5%	7.3%	7.8%	7.5%	7.3%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	-1.5%	0.4%	0.4%
NASDAQ Composite	-1.5%	0.9%	0.9%
International Developed	-1.4%	1.8%	1.8%
Emerging Markets	0.3%	5.2%	5.2%
U.S. Aggregate Bond	0.2%	-0.8%	-0.8%
U.S. Municipals	0.1%	0.0%	0.0%
Corporate High Yield	0.1%	0.4%	0.4%

Source: Morningstar, see 'Disclaimer' for details

### U.S. Equity Markets

- U.S. equities concluded the final week mixed before the upcoming presidential inauguration on Wednesday January 20<sup>th</sup>.
- The ongoing political situation continued to dominate the headlines. President Trump was impeached for a second time by the House of Representatives, in addition to the Democrats' push to invoke the 25<sup>th</sup> Amendment and remove him from office before his term is up. The imminent inauguration of President-elect Joe Biden warranted thousands of National Guard troops to Washington D.C., in efforts to thwart any future violence.
- Within the S&P 500 Index, the energy sector led despite a large contraction on Friday. It still rose north of 3% for the week, after a drop in the supply of domestic oil inventory. Lagging all sectors was communication services after social media giants Facebook and Twitter publicly announced their bans of Donald Trump's profile on their platforms fearing the spark of any new violence.
- As a reversal of trends from 2020, small-cap stocks beat large-caps and value led growth. As seen in the Periodic Returns chart above, year-to-date returns are so far contrasting returns from last year, albeit only two weeks have elapsed in 2021.

### International Equity Markets

- Developed markets in Europe struggled with the ongoing restrictions and lockdowns enforced in various countries. Consequently, the MSCI EAFE Index fell about 1.4%.
- Emerging markets fared better as the MSCI Emerging Markets Index rose 0.3%. This was mostly due in part to the strong performance from China even though more companies were added to the list prohibiting investment in the U.S. In total that amounts to 44 companies the Trump administration alleges have ties to China's military and have blocked U.S. investments in them.

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

- The week began with Treasury yields rallying to the highs since March (1.14%) but ended the week lower ~1.3bps back to approximately 1.10%.
- The curve flattened into Friday, with the spread between 2s and 10s at 96 bps and between the 5- and 30-year at 138 bps.
- The corporate spread for the USD Investment Grade All Sector OAS was tighter by 2-3 bps.
- Year-to-date there has been \$74.5 billion in issuance vs \$73.4 billion projected despite the fact last week missed the projected issuance amount by nearly \$6 billion.
- Municipals underperformed Treasuries on the week with benchmark yields 3-5 bps higher across the curve, moving ratios slightly higher off record-lows.
- Municipal funds saw their 10th straight week of inflows adding \$2.6 billion for the week ending 1/13, more than double the week prior. Additionally, President-elect Biden's economic relief plan includes \$350 billion for state and local governments as well as \$20 billion for transit systems.
- **Expanded fixed income commentary from Piton can be found using this [link](#).**

## U.S. Economic Data/News

- On Thursday, President-elect Biden announced the details for his new \$1.9 trillion economic relief plan. It includes a \$1,400 per-person direct payment to most people, \$400 per week unemployment assistance, and additional funding to help testing and vaccine distribution. It's not yet known how quickly the government could act on it and if Republicans would slow progress.
- The earnings season has started after JPMorgan Chase, Citigroup, and Wells Fargo all reported fourth-quarter results before the market open on Friday. All three beat earnings' estimates but declined on the day after missing revenue estimates. Skeptics are broadly anticipating at least a decline of 10% in 2020 earnings for S&P 500 companies.
- Other economic data was mixed. December's retail sales tallied in at a 0.7% drop for the third straight monthly decline. Weekly jobless claims rose to 965,000, higher than expected and the most since August. However, industrial production rose 1.6% in December, higher than forecasted.
- Federal Reserve Chairman Jerome Powell stated the U.S. has a long road ahead to a strong job market. He indicated the Fed expects to keep interest rates near zero for years, or at least until inflation remains above 2% for a sustained period. The next central bank meeting is scheduled for January 26<sup>th</sup>-27<sup>th</sup> and very little change is expected in their policy.

## International Economic Data/News

- To curtail the spread, new restrictions were applied in Italy, Switzerland, Holland, Germany, France, and the U.K. Separately, preliminary data from Germany indicated a smaller-than-expected GDP drop of 5% in 2020, likely supported by their stimulus measures throughout the year.
- Tokyo Shoko Research reported last year that Japanese companies with at least ¥10 billion of debt recorded the lowest number of bankruptcies since 1989. However, bankruptcies of companies with less than this level of debt increased tremendously, mostly in dining and tourism.
- China has reported small clusters of new cases as well as the country's first COVID-19 related death since May. China's government may impose new restrictions soon if things don't improve markedly. However, China's 2020 GDP grew by a remarkable 2.3% year-over-year.

## Odds and Ends

- The massive vaccine distribution effort taking place in the U.S. has already had and will continue to have several hurdles to overcome along the way. As of Friday, about 31 million doses were distributed to states but only 12 million had been administered to recipients. The current process requires each state's health department and hospitals to develop procedures to give the vaccine to eligible people, and many have not been able to do so effectively. A contributing factor for some locales has been that there are not enough physical people available to give out the vaccine. The country hopes the new administration can improve this process and put an end to the pandemic.
- Oil and gas prices are slowly recovering from their pandemic-era lows, but most forecasts predict a very extended, volatile path for the sector in general. According to consulting firm Wood Mackenzie, global spending on the sector's production could remain below pre-pandemic levels until at least 2025. At the same time, investments in renewable and clean energy are increasing, which creates quite the recovery headwind for the energy sector.
- The massive Space Launch System booster rocket is in development with Boeing and NASA, with plans to be launched later this year. That schedule is now in question after the rocket's engines mysteriously shut down on Saturday in a ground-test. The engines were supposed to stay on for eight minutes but turned off after only one minute. The rocket is slated to make several lunar flights, a human-flight to Mars, and other deep-space exploratory missions.

## Resource of the week:

- Few topics have been more widely discussed lately than cryptocurrency, bitcoin to be more specific. It originally made headlines back in 2017, but it's back and hungrier than it was before. Bitcoin is emerging as a polarizing subject, as optimists believe that it's the future of currency and building wealth, but skeptics believe bitcoin is inevitably in a price bubble. This episode of *Business Casual* features a conversation with Tyler and Cameron Winklevoss, the creators of the Gemini cryptocurrency exchange as well as founders of Winklevoss Capital Management. Enjoy it if you would like to learn more about bitcoin and cryptocurrency in general.
- **Podcast link:** <https://www.businesscasual.fm/bitcoin-to-500000-the-winklevoss-twins-think-so/>

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 S&P 500 Index is a market capitalization-weighted Index of 500 widely held stocks often used as a proxy for the stock market. It measures the movement of the largest issues. Standard and Poor's chooses the member companies for the 500 based on market size, liquidity and industry group representation. Included are the stocks of eleven different sectors. The Russell 2000 Index measures the performance of the small cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 1000 Index measures the performance of the large cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index representing approximately 90% of the total market capitalization of that index. It includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership. The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell 3000 Index is constructed to provide a comprehensive, unbiased and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected. The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of global developed markets, excluding the U.S. and Canada. The MSCI Europe Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of developed markets countries in Europe. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The MSCI Japan Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of 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-dominated securities. The Bloomberg Barclays Municipal Bond Index covers the U.S. dollar-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. The CBOE Volatility Index is a real-time market index that represents the market's expectation of 30-day forward-looking volatility. It is created by the Chicago Board Options Exchange (CBOE). 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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