



SUMMIT FINANCIAL

Summit Snapshot: Week of February 8th, 2021

Periodic Returns

	Trailing Week			Quarter-to-Date			Year-to-Date		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	4.7%	4.9%	5.1%	3.8%	4.1%	4.3%	3.8%	4.1%	4.3%
U.S. Mid-Cap	5.3%	5.6%	6.1%	5.0%	5.3%	5.8%	5.0%	5.3%	5.8%
U.S. Small-Cap	6.6%	7.7%	8.8%	12.2%	13.1%	14.0%	12.2%	13.1%	14.0%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	4.7%	3.6%	3.6%
NASDAQ Composite	6.0%	7.6%	7.6%
International Developed	2.8%	1.7%	1.7%
Emerging Markets	5.0%	8.2%	8.2%
U.S. Aggregate Bond	-0.4%	-1.1%	-1.1%
U.S. Municipals	0.1%	0.7%	0.7%
Corporate High Yield	0.7%	1.0%	1.0%

Source: Morningstar, see 'Disclaimer' for details

U.S. Equity Markets

- Equity markets quickly recovered from losses last week helped by plans for future fiscal stimulus and vaccine optimism.
- Several major domestic indexes, including the S&P 500, Nasdaq Composite and the small-cap Russell 2000 reached fresh all-time highs.
- Within the S&P 500, energy stocks continued their recovery in 2021 in-line with rising oil prices. The communication services sector also had a strong week after several larger sized constituents released strong earnings. The healthcare sector was a notable laggard.
- The social media fueled short squeeze saga targeting hedge funds started to unwind (for now) with several of the most affected name shedding more than half of their value during the week.
- Small-caps bested large-caps and growth outpaced value. Similar trends have persisted so far this year.

International Equity Markets

- Both developed and emerging non-U.S. equities rose last week although the performance gap between the two portions of the market continued to widen.
- Emerging market equities are among the best performing portions of the global equity market so far this year, rising over 8% in USD terms.
- European and Japanese shares both rose but some of the gains were eroded by USD strength.
- Chinese stocks also rose over the week as sentiment towards the potential regulation of mega-cap tech platforms improved. Recent IPOs indicate that investor appetite for Chinese tech stocks remains robust.

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

- Treasuries were down on the week as the yield on the 10-year continued to climb in the new year.
- The curve steepened further Friday as the yield on the two year touched lows of 0.10%, last seen in March 2020, while the long end rose to 1.94%.
- Corporate spreads were modestly tighter for the week. The corporate issuance market has been robust with new debt exceeding the street's expectations by 50%.
- Benchmark municipals were slightly weaker although they outperformed treasuries as a result of a steepening yield curve.
- Municipal fund inflows added \$1.58 billion for the week ended 2/3, the 13th consecutive week.
- **Expanded fixed income commentary from Piton can be found using this [link](#).**

U.S. Economic Data/News

- Democrats continue to move forward on a proposed \$1.9 trillion stimulus package despite an effort for a compromise from Senate Republicans. Early Friday morning, the Senate passed a budget resolution moving forward legislation authorizing the full \$1.9 trillion President Biden had requested.
- Recent economic data has surprised to the upside. The ISM non-manufacturing (service) indicator rose to its highest level since February 2019 at 58.7. Expansion in the services sector has now matched the recovery in the manufacturing sector.
- Weekly jobless claims fell more than expected and reached their lowest level since November of 2020.
- Employers added 49,000 jobs in January which roughly matched expectations. This was an encouraging development following last month's downwardly revised decline over 227,000 jobs.

International Economic Data/News

- The Eurozone shrank by more than expected over Q4. France's and Italy's economy shrank the most while GDP modestly expanded in Germany and Spain. Economists expect that Q1 2021 data could be worse based on recent lock down measures.
- Cases in the UK have started to fall as more than 10.5 million people have received their first dose of the vaccine. PM Boris Johnson said the government would set a road map for easing restrictions later this month.
- The state of emergency in Japan was extended through next month as hospitals and staff remain under pressure despite a fall in the pace of new cases.
- Lunar New Year restrictions in China have the potential to weigh on what is usually one of the busiest travel seasons of the year. This year, the number of trips in China for the holiday will drop 60% from 2019 to about 1.2 billion, the lowest number in 18 years, according to the country's transport ministry.

Odds and Ends

- If there was a theme for Super Bowl ads this year it was a comedic and lighthearted reflection of the challenges of the past year. Many companies looked at the event as a chance to express some joy and relief in this challenging time in history. While many have taken the comedic route, some companies, such as Jeep, chose to use their time slot as an attempt to highlight the country's division.
- Elon Musk once again took to Twitter to promote a new asset – Dogecoin. Dogecoin, a cryptocurrency started in 2013 as a joke, soared and is now worth more than \$6 billion. Dogecoin was designed to serve no purpose and is named after an internet meme. Dogecoin's rise makes seemingly makes little economic sense and is another source of extensive speculation in today's economy.
- Sushi is turning out to be an unlikely beneficiary of the pandemic. As the WSJ reports, sushi is on a roll – get it? The market for on-the-go sushi is booming as many at home look to spice up their extensive home cooking repertoire with other forms of cuisine. Sushi is one cuisine that's hard to master at home with challenges in finding the right quality fish and making the rice the right consistency.

Resource of the week:

- Bloomberg Opinion columnist Barry Ritholtz speaks with legendary investor Ron Baron, who is the chairman, CEO and portfolio manager at Baron Funds. Ron founded Baron Capital Management and Baron Capital in 1982 and boasts more than a half century of research experience. Today, Baron Funds is known for its long-term, fundamental, active approach to growth investing; it has \$49 billion in assets under management. To learn more about Ron's storied career, give this episode a listen.
- **Podcast link:** <https://www.bloomberg.com/news/audio/2021-01-29/ron-baron-on-investing-in-tesla-and-spacex-podcast>

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 periodic 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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