SUMMIT FINANCIAL

Summit Snapshot: Week of March 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	2.6%	0.4%	-1.8%	7.8%	2.5%	-2.5%	7.8%	2.5%	-2.5%
U.S. Mid-Cap	2.2%	-0.2%	-4.8%	9.9%	5.1%	-3.5%	9.9%	5.1%	-3.5%
U.S. Small-Cap	3.5%	-0.4%	-4.2%	19.2%	11.1%	3.7%	19.2%	11.1%	3.7%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	0.8%	2.6%	2.6%
NASDAQ Composite	-2.0%	0.4%	0.4%
International Developed	-0.5%	0.7%	0.7%
Emerging Markets	0.1%	3.9%	3.9%
U.S. Aggregate Bond	-0.8%	-2.9%	-2.9%
U.S. Municipals	0.3%	-0.7%	-0.7%
Corporate High Yield	-0.2%	0.5%	0.5%

Source: Morningstar, see ‘Disclaimer’ for details

U.S. Equity Markets

- Benchmarks were mixed last week as investment styles and market caps were impacted differently by rising longer-term interest rates.
- Growth stocks suffered the largest decline, and the Nasdaq finished the week off 2% while many value benchmarks were positive. Small-caps outperformed within the value segment but lagged in the growth segment.
- Within the S&P 500 Index, more cyclical portions of the market, such as energy and financials were once again the top performers. Tech stocks fell dragging down the IT and consumer discretionary sectors.
- Equity markets appear divided about whether the rise in bond yields is based on a healthy increase in growth expectations, concerning inflation pressures, or a mixture of both.
- Year-to-date, value and small-cap stocks have secured a significant lead over growth and large-cap stocks, respectively.

International Equity Markets

- Both developed international and emerging market equities lagged large-cap domestic stocks last week in USD terms.
- European stocks ended the week little changed in USD terms. Optimism around the lifting of select coronavirus restrictions was offset by concerns over the potential for higher rates and inflation.
- Japanese markets increased in local terms but were close to flat when converted to USD as the yen fell.

- Chinese equities fell against rising global yields and inflation expectations. Chinese tech shares, especially high-flying internet and electric car stocks, declined meaningfully in-line with trends in domestic markets.

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

- The dramatic bond sell-off continued last week as yields out the front end of the U.S. Treasury curve continued to climb.
- On Friday, the 10-year note hovered around 1.56%, with the week's range-topping yearly highs of 1.61%. Repo for the 10-year remained noteworthy dropping below -3%.
- Thursday's remarks by Fed Chairman Powell reinforced the Fed's current dovish outlook, signaling no changes to the current monetary policy despite the expectations for rising inflation and economic recovery.
- The corporate spread week-to-date for the USD Investment Grade All Sector OAS was little changed (+0.01%).
- Investment grade funds recorded $5.2 billion in inflows and high yield funds reported $601.4 million in inflows.
- Municipals detached from Treasuries with yields 0.02% to 0.06% lower on the week, steepening the curve as demand was stronger inside of 7 years.
- With the sharp move in the Treasury curve, municipals richened on a relative value basis with ratios lower on the week. Ratios remain on the lower end of long-term averages.
- Municipal funds saw their first outflow in 4 months with $605 million exiting as investors weigh the continued rise in interest rates and some tax bill selling being contributing factors.
- **Expanded fixed income commentary from Piton can be found using this link**

U.S. Economic Data/News

- The Senate passed the $1.9 trillion pandemic relief package providing additional jobless benefits and direct payments to U.S. citizens. It will now return to the House for approval before being sent to President Biden.
- Critics of the bill believe that it offers the potential of overheating a healing economy and further igniting inflation pressures. These concerns are reinforced by rising yields, commodity, and input prices.
- Fed Chair Powell's comments last week appeared to disappoint markets as he offered no new commitments of continued asset purchases or other action. His current contentment with the level of monetary policy contributed to a sizeable sell-off in equity and bond markets late last Thursday.
- February's job report meaningfully surprised to the upside, with nonfarm payrolls rising by 379,000 or about twice consensus estimates. Most of the gains came out of the hardest hit sectors within leisure and hospitality.
- Rising payrolls contributed to a fall in the unemployment rate to 6.2%, the lowest level so far with the pandemic.

International Economic Data/News

- Many European nations are setting the stage for lifted pandemic focused restrictions, although the response is mixed depending upon the country and region.

- Rising inflation expectations could result in reduced monetary and fiscal measures within the Eurozone. The potential for a more hawkish stance pushed European bond yields higher.
- The EU accused the UK of breaking part of the terms of the Brexit deal after Britain extended grace periods for border checks on food imports to Northern Ireland.
- The BoJ maintained its stance of tight control over the yield curve where it caps the 10-year Japanese Government Bond yield around 0% and allows the benchmark yield to move around the target. The assertion caused long-term yields to fall in response.
- China's regulators have made hawkish signals stressing the need for deleveraging and avoiding financial bubbles. The yield on China's 10-year bond rose to 3.36% at weekend.

Odds and Ends

- Turbulent markets over the past year have taught investors some valuable lessons according to a reflection piece from the WSJ. Looking back at the crisis, money managers were reminded of how the market tends to price things on a forward basis and the challenges of timing when cycles move quickly. While stock pickers tend to benefit from volatility, there were plenty of funds that got burned when large bets went against them. That said, the number of actively managed funds that outperformed their respective benchmarks last year was considerably higher than in the past decade.
- The well-publicized, highly anticipated interview between Meghan Markle, Prince Harry and Oprah aired Sunday evening. The prime-time segment reflected on the couples' process of stepping away from the monarch and was an effort to control the narrative. The interview was worth at least $7 million to CBS and the network apparently sought about $325,000 for 30 seconds of commercial time during the interview.
- GE is nearing a $30 billion+ deal to combine its aircraft leasing unit with Irish AerCap. The merger comes in-line with efforts for both businesses to restructure during an historically challenging operating environment for the aviation industry. The GE unit is the biggest remaining piece of GE Capital, a once sprawling division of the conglomerate that nearly sunk the company during the 2008 financial crisis. This is the latest in a series of efforts to right the course of GE that's fallen upon tough times over the past several years.

Resource of the week:

- Ryan Petersen is the founder and CEO of Flexport, a technology platform for global trade. In this episode of *Invest Like the Best,* Patrick and Ryan cover the past, present, and potential future issues in the global supply chain, the role Flexport plays in the supply chain, and lessons he's learned building a global business. It's a surprisingly antiquated process in an increasingly digital world, making it a prime candidate for disruption. To learn about this unique space, give this episode a listen.
- Podcast link: https://www.joincolossus.com/episodes/49206200/petersen-where-there-is-mystery-there-is-margin

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.

The attached materials, URLs, or referenced external websites are created and maintained by a third-party, which is not affiliated with Summit Financial LLC. or its affiliates. The information and opinions found within have not been verified by Summit, nor do we make any representations as to its accuracy and completeness. Summit Financial, LLC, and affiliates are not endorsing these third-party services, or their privacy and security policies, which may differ from ours. We recommend that you review these third-party’s policies and terms.