



SUMMIT FINANCIAL

Summit Snapshot: Week of March 15th, 2021

Periodic Returns

	Trailing Week			Quarter-to-Date			Year-to-Date		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	3.3%	2.9%	2.5%	11.4%	5.4%	-0.1%	11.4%	5.4%	-0.1%
U.S. Mid-Cap	4.0%	3.8%	3.4%	14.3%	9.1%	-0.2%	14.3%	9.1%	-0.2%
U.S. Small-Cap	8.0%	7.4%	6.7%	28.8%	19.3%	10.6%	28.8%	19.3%	10.6%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	2.7%	5.3%	5.3%
NASDAQ Composite	3.1%	3.5%	3.5%
International Developed	3.0%	3.7%	3.7%
Emerging Markets	0.7%	4.6%	4.6%
U.S. Aggregate Bond	-0.4%	-3.3%	-3.3%
U.S. Municipals	0.4%	-0.2%	-0.2%
Corporate High Yield	-0.1%	0.5%	0.5%

Source: Morningstar, see 'Disclaimer' for details

U.S. Equity Markets

- U.S. stocks ultimately ended the week higher as investors focused on the steepening yield curve and rising long-term interest rates. Also supportive to the markets was the recently passed \$1.9 trillion American Rescue Plan Act that is intended to inject more capital into the economy.
- Within the S&P 500 sectors, consumer discretionary rose north of 6% given the strong rebound in Tesla's stock price after a prior tough week. Real estate followed this up after persistent low mortgage rates positively impacted valuations. Health care and energy stocks relatively lagged other sectors although still rose more than 1% for the week.
- Small-cap stocks beat large-caps adding to the year's dispersion levels. Likewise, value stocks marginally led growth as the economy continued its flourishing reopening process. Remarkably the small-cap value segment advanced about 8% last week.

International Equity Markets

- Developed international and emerging market equities both rose although the former led the latter as represented by their MSCI indices in U.S. Dollar terms.
- European and Japanese stocks both advanced, despite contradictory vaccine developments. Italy and Denmark both blocked the near-term use of the Oxford-AstraZeneca vaccine given fears it creates serious side effects. However, Japan has thus far lagged other nations' vaccines programs but stated their strict intentions to ramp up their vaccine development and deployment efforts.
- Unlike other equity markets, Chinese stocks fell about 0.7% in U.S. Dollar terms. In fact, according to custodian bank State Street, net inflows were neutral for the first time since November.

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

- Treasuries remained under pressure this week as yields out the curve climbed sharply. The 20-year led the move with yields rising 12.5 bps on Friday, while the 30-year topped 2.384%.
- Thursday's strong 10-year auction stopped at 1.523%, surpassing levels Friday moving 10 bps to a YTD high of 1.637%.
- The corporate spread week-to-date for the USD Investment Grade All Sector OAS was wider by about 10 bps.
- Investment grade funds recorded \$3.3 billion of inflows. High yield funds reported \$5 billion of outflows versus \$601 million of inflows the prior week.
- Municipals continued to diverge from Treasuries for most of the week reversing course on Friday as the 10-year Treasury rate rose. Yields were 2-9 bps lower on the week, tightening ratios.
- The latest \$1.9 trillion stimulus plan was passed and signed on Thursday making \$360 billion available to state and local governments. The plan should quell credit concerns as most states entered the pandemic with healthy reserves combined with better revenue collections than originally projected. Transit systems and higher education will also benefit from the deal.
- **Expanded fixed income commentary from Piton can be found using this [link](#)**

U.S. Economic Data/News

- Thursday included two newsworthy events stemming from the White House. First in the early afternoon, President Biden signed the latest coronavirus relief package into law after it passed through the branches of Congress. It is reported that qualified recipients of the \$1,400 direct payments could either already or soon see the funds in their bank accounts. Then in the evening, President Biden addressed the nation pledging to make vaccines available to all adults by May 1st. Separately, the U.S. encouragingly announced the securement of another 100 million orders of the single-dose Johnson & Johnson vaccine.
- Initial weekly jobless claims fell to 712,000 through March 6th, the lowest level since November. Also reflective of the recovering employment dynamic, continuing jobless claims fell to 4.1 million, the lowest level this statistic has hit in a year.
- The University of Michigan's gauge of consumer sentiment rose to a pandemic-high level of 83, although still below the pre-pandemic level of 101 in February 2020.
- The Labor Department's latest readings were somewhat positive. Core consumer prices in February rose by 0.1%, below expectations, while core producer prices rose by 0.2%, far below January's 1.2% increase.

International Economic Data/News

- The European Central Bank revised the European Union's GDP growth estimate to 4% in 2021, slightly higher from December's forecast. The region's 2021 inflation outlook also increased to 1.5% from 1% attributed to higher price inflation as indicated by ECB President Christine Lagarde.
- The upcoming March 18th-19th policy meeting is pivotal to determining the Bank of Japan's future monetary policy actions. BoJ Governor Haruhiko Kuroda had previously targeted a price stability level of 2% but is open to the idea of moving 10-year yields while not affecting central bank policies.
- China's combined January plus February's exports rose 61% year-over-year while imports rose 22% in U.S. Dollar terms. Both figures beat expectations during the pandemic hardship.

Odds and Ends

- Despite the recent uptick in commodities, analysts are not fully convinced the momentum is sustainable for the long-term. There may be pockets of outperformance, but the conditions needed for all types of commodities to continue to rise is rare and arguably not in place. Like economic cycles in the past, Brent crude prices rose over 80% since October and copper prices have not seen these levels since 2011. Then unforeseen in 2014, prices plummeted and commodities fell out of favor. For the time being, this diversifying asset class has recently shone.
- On the heels of the recent short squeeze saga involving GameStop, among other companies, some inexperienced investors view investing as more of a gamble than is justified. Some new apps educate people how to enter the market more strategically and tolerate the day-to-day volatility. Notable companies worth mentioning include Invstr, Qooore, Everfi, Greenlight, and Benjamin Talks. The apps' content ranges from a "fantasy finance" game to play with friends, courses aimed at teaching investing to grade-school children in plain English, and a way for kids to easily use Morningstar information to determine a company's intrinsic value.
- Last Wednesday, Texas became the latest state to remove its mask mandate and is the largest state, by population, to do so. Other states that have previously removed the restriction include Iowa, Mississippi, Montana, and North Dakota, but Texas is the second-largest state in the U.S. by population with nearly 29 million residents. Republican Governor Greg Abbott said "it is now the time to open Texas 100%". Mississippi's Governor Tate Reeves reminded the public their masks were not required to prevent all possible spread of the disease, rather to not overwhelm the healthcare system which is no longer stressed as it once was.

Resource of the week:

- Behavioral finance is an often-overlooked facet of a thoughtfully designed investment plan, but should be given more consideration since people are humans, all of whom may or may not think rationally at any given time. This episode of *Masters in Business* features an interview with William J. Bernstein, a financial theorist, author, investment advisor and retired neurologist who understands the human psyche better than most. He believes behavioral finance, more specifically that a crowd's behavior follows the herd, was a leading catalyst for the recently publicized short squeeze in which several stocks' prices skyrocketed. Enjoy this episode to learn more about his philosophies on these interesting topics.
- Podcast link: <https://www.bloomberg.com/news/audio/2021-03-05/william-j-bernstein-on-crowd-behavior-podcast>

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

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