



# SUMMIT FINANCIAL

## Summit Snapshot: Week of March 22<sup>nd</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	-0.8%	-0.8%	-0.9%	10.5%	4.6%	-0.9%	10.5%	4.6%	-0.9%
U.S. Mid-Cap	-0.7%	-0.8%	-1.0%	13.5%	8.2%	-1.2%	13.5%	8.2%	-1.2%
U.S. Small-Cap	-2.9%	-2.8%	-2.6%	25.0%	16.0%	7.8%	25.0%	16.0%	7.8%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	-0.7%	4.5%	4.5%
NASDAQ Composite	-0.8%	2.7%	2.7%
International Developed	0.6%	4.3%	4.3%
Emerging Markets	-0.8%	3.8%	3.8%
U.S. Aggregate Bond	-0.3%	-3.6%	-3.6%
U.S. Municipals	-0.5%	-0.8%	-0.8%
Corporate High Yield	-0.5%	-0.1%	-0.1%

Source: Morningstar, see 'Disclaimer' for details

### U.S. Equity Markets

- Despite reaching fresh highs earlier in the week, U.S. stocks lost ground as yields continued to rise and inflation concerns intensified.
- Within the S&P 500 Index, the energy sector was off nearly 8% as oil prices fell sharply after domestic inventories rose and there were renewed demand concerns.
- Despite rising yields, financials fell late in the week after the Fed announced it was not extending a pandemic relief measure that allowed for banks to hold lower capital reserves.
- Consumer discretionary and communication services stocks were the best performers boosted by better results from large constituents.
- Small-caps meaningfully lagged large-caps giving back some of the relative excess returns for the year. That said, they remain the best performing portion of the domestic market year-to-date.

### International Equity Markets

- Developed international equities were positive last week in U.S. Dollar terms while emerging market equities declined.
- European equities were little changed, held back by concerns about a resurgence in coronavirus cases in select countries.
- Japanese equities were mixed after the Bank of Japan (BoJ) indicated it would limit its purchases of ETFs.
- Chinese equities fell over the week following negative headlines surrounding a U.S.-China meeting in Alaska and the potential for rising tensions between the two nations.

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

- Yields on U.S. Treasuries continued to climb as the Federal Reserve remained in focus last week.
- The curve steepened further on Friday, with the spread between the 2-year note and 30-year bond reaching over 2.3%.
- The 10-year yield rose as much as 0.04% to 1.75% after news that the Fed will not extend bank relief programs put in place at the onset of the pandemic, causing some deleveraging.
- Wednesday's Fed minutes revealed a very dovish tone as it is unlikely that the Fed will raise interest rates within the next three years.
- Investment-grade funds recorded \$5.43 billion in inflows vs. \$3.3 billion in inflows the prior week. High yield funds reported \$410 million in inflows vs. \$5 billion in outflows the prior week.
- Municipal yields rose higher, underperforming Treasuries, as inflation concerns continued to drive rates higher.
- Municipal funds saw \$1.27 billion of inflows for the week ending 3/17.
- Earlier in the week President Biden revealed his tax policy change proposals, increasing corporate tax rates from 21% to 28%, higher taxes on earners over \$400k, and increasing capital gains and estate taxes among them.
- **Expanded fixed income commentary from Piton can be found using this [link](#)**

## **U.S. Economic Data/News**

- President Biden announced last week that the U.S. has reached 100 million coronavirus vaccinations, ahead of earlier targets. The U.S. is also preparing to lend doses to Canada and Mexico.
- Travel activity has picked up alongside the increase in vaccinations paired with better weather. The TSA reported the highest daily airline volumes last week since the start of the pandemic.
- Recent economic data supported the Fed's continued dovish stance and reaffirmed that substantial slack remains in the economy, for now.
- Weekly jobless claims unexpectedly rose to 770,000, the highest level in a month.
- Industrial production also disappointed, falling 2.3% compared to consensus expectations for a slight increase.
- Even the red-hot housing sector was underwhelming. Homebuilder sentiment fell to a 7-month low and housing starts/permits fell.

## **International Economic Data/News**

- European central banks maintained a dovish stance to support the ongoing recovery and to protect the economy against the potential for a 'third wave' of coronavirus cases.
- The UK government said it might have to slow the pace of vaccinations based on delays from shipments from India.
- Despite select controversies, the European Medicine Agency reached a 'clear scientific conclusion' that the Oxford-AstraZeneca vaccine was safe and did not cause adverse symptoms.
- The BoJ announced a series of tweaks to its policy measures. Notably, it will only intervene with ETF purchases when deemed necessary and it introduced more flexibility around its yield curve control.

- Chinese-U.S. tensions remain volatile. Chinese semiconductor producer, SMIC, will build a new plant in Shenzhen after being blacklisted by the U.S.

### **Odds and Ends**

- Railroad operators Canadian Pacific and Kansas City Southern agreed to combine in a merger valuing the combined entity at around \$25 billion. The combination would result in the first freight-rail network that links the U.S., Canada, and Mexico. The new company would have annual revenues of approximately \$9 billion and employ about 20,000 people.
- Cathie Wood and Ark Funds released their new price target for Tesla over the weekend and it's a doozy. The firm raised its 2025 price target to \$3,000, up from a prior 2024 target of \$1,400. The increase incorporates potential gains from the insurance industry and advancements related to autonomous driving. Ark has been a notable Tesla bull for years and has a large position across many of its ETF strategies.
- The 5-year-old e-commerce company, Pinduoduo, has recently overtaken Alibaba as China's most popular online shopping site. The company has experienced explosive growth and has nearly 800 million active users at the end of 2020. Despite massive usage levels, the company's revenues of \$9.1 billion are still a fraction of Alibaba's annual revenues of over \$70 billion. Pinduoduo was founded by an ex-Google engineer and pitches itself as a blend of Costco and Disney.

### **Resource of the week:**

- In this episode of *Masters in Business*, Bloomberg Opinion columnist Barry Ritholtz speaks with Jeff Immelt, who is a venture partner at the global venture capital and private equity firm New Enterprise Associates (NEA) but is better known for being the ninth chairman of GE and served as CEO for 16 years. Despite a mixed reputation for how he left the company, the conversation provides several valuable insights stemming from his experience running a highly complex organization in a dynamic world. There is also more nuance to the story than you might expect.
- Podcast link: <https://www.bloomberg.com/news/audio/2021-03-12/jeff-immelt-on-crisis-management-and-leadership-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.

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.