



SUMMIT FINANCIAL

Summit Snapshot: Week of March 29th, 2021

Periodic Returns

	Trailing Week			Quarter-to-Date			Year-to-Date		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	1.4%	1.3%	1.2%	12.0%	5.9%	0.2%	12.0%	5.9%	0.2%
U.S. Mid-Cap	0.2%	0.2%	0.0%	13.8%	8.4%	-1.1%	13.8%	8.4%	-1.1%
U.S. Small-Cap	-2.5%	-2.9%	-3.3%	21.9%	12.7%	4.2%	21.9%	12.7%	4.2%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	1.6%	6.2%	6.2%
NASDAQ Composite	-0.6%	2.1%	2.1%
International Developed	-0.6%	3.7%	3.7%
Emerging Markets	-2.2%	1.6%	1.6%
U.S. Aggregate Bond	0.3%	-3.3%	-3.3%
U.S. Municipals	0.4%	-0.4%	-0.4%
Corporate High Yield	0.6%	0.6%	0.6%

Source: Morningstar, see 'Disclaimer' for details

U.S. Equity Markets

- Major indices were mixed for the week as investors contrasted the economic reopening with interest rate and inflation concerns. After Friday's upsurge to close the week, the S&P 500 ended in positive ground but the tech-heavy Nasdaq Composite Index was still underwater by 0.6%.
- Weighing on sentiment was the unexpected blockage of the Suez Canal by a major cargo ship named the Ever Given. Not only are the goods on that ship not being delivered, as many as 300 other ships sit in queue as well as other ships which opted to take the 15,000-mile detour around Africa. A hopeful high tide is the best bet to free the ship and limit anymore supply chain damage.
- Most sectors of the S&P 500 were positive aside from communication services which fell nearly 4% after several media company stocks declined, likely exacerbated by volatile trading. Real estate and consumer staples led all others and rose about 4% each.
- Large-cap stocks rose and led small-caps which declined but still retain a solid advantage over large-caps for the year. Value stocks marginally led growth although the disparity was minor.

International Equity Markets

- Both developed international and emerging markets equities fell last week in U.S. Dollar terms. Emerging markets fell more though after the strong U.S. Dollar declines in Chinese stocks.
- European and Japanese stocks were flat and down respectively as both regions digested the global economic reopening, but struggle with some COVID-19 breakouts and vaccine deployment efforts.
- Chinese equities rose last week in local currency terms after the country's central bank indicated it would not tighten its monetary policy regime. Like other global markets, China is undergoing a rotation from growth to value while local real estate companies performed well.

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

- The long end of the curve led yields lower into Friday as the spread between the 5-year note and 30-year bond flattened by 5 bps on the week.
- Heading into the final days of the quarter, the 10-year yield dropped from highs of 1.72% on March 19th to 1.65% last Friday.
- The corporate spread week-to-date for the USD Investment Grade All Sector OAS was tighter by four bps.
- Investment grade funds recorded \$3.26 billion in inflows vs \$5.4 billion in inflows the prior week. High Yield funds reported \$1.3 billion in outflows vs \$410 million in inflows the prior week.
- Municipal bond benchmark yields were 5-7 bps lower on the week. Likewise, municipal funds saw inflows of \$592 million for the week ending 3/24.
- Primary market activity continues to be well received with several deals re-pricing yields lower.
- Ratings agencies have lifted their negative outlook on almost all municipal sectors as a result of the \$1.9 trillion stimulus package.
- **Expanded fixed income commentary from Piton can be found using this [link](#)**

U.S. Economic Data/News

- As was done in Europe the week prior, last week the AstraZeneca developed vaccine was proven to have been safe and effective in U.S. trials. Newly released data showed it effectively prevented severe disease and hospitalizations.
- Despite new case counts rising in a few states, pandemic-related news had bright spots. President Biden stated his new goal of vaccinating 200 million Americans in the first 100 days of his administration (through the end of April), double the initial estimate. Also, many states have already or soon will make vaccinations available to anyone over 16 years of age.
- February existing home sales fell 6.6% while new home sales plummeted by 18.2%, far more than forecasted but the severe winter weather may partially be to blame given the hardships it presented. Offsetting this, initial weekly jobless claims fell to the pandemic-low level of 684,000.
- A focus for many investors, the latest inflation data was largely muted after the core personal consumption expenditures index increased by 1.4% year-over-year in February, well below the Fed's sustainable target range of 2%.

International Economic Data/News

- European countries announced varied stages of lockdowns. France extended its lockdown to include a third of the country but is reportedly less strict than the past. Belgium said non-essential businesses will be closed for the next four weeks, and Germany debated internally to enforce new lockdowns. It ultimately decided not to after the amount of recoil its citizens displayed.
- Japan's Diet approved a new record ¥106.61 trillion (\$976 billion) budget for the 2021 fiscal year. The intent of the relief funds is to offset the damage created by the pandemic as well as other increasing costs.
- China's goal of becoming carbon neutral by 2060 comes with a heavy price tag north of \$6 trillion. In 2020, China installed 50 gigawatts of wind power which accounts for 70% of the world total. This shift to renewable energy is expected to increase global demand for some raw materials including copper, nickel, and aluminum among others, a strengthening factor for commodities.

Odds and Ends

- One of the commodities that has benefitted thus far from the various stimulus payments, prevailing low interest rates, and increased global demand for grains is farmland. Mostly across the U.S. Midwest, farmland lots are selling at or above prices from the previous surge ending around 2014. Increased demand for agriculture by China has indirectly spiked land prices in at least Illinois, Indiana, Iowa, Michigan, and Wisconsin by 6% in 2020. This is the largest year-over-year increase since 2012 and proof that a successful global trade agreement is impactful.
- Coming as no surprise given the promise of low interest rates for the foreseeable future, real estate prices continue to rise across the globe. Some people's concerns include a possible bubble or even homeowners taking on too much debt when purchasing properties of which prices could remain flat or fall in the future. The increased levels of debt people are assuming adds fuel to the fire and catapults prices even higher in the short term. With that said, economists believe there will not be another collapse like in 2008 since markets could decline naturally, as interest rates are expected to rise and housing demand is continually met.
- As countries strive to vaccinate people as quickly as possible and work around any supply chain challenges or vaccine inventory demands, a major goal to achieve is herd immunity. Researchers estimate at least 70%-90% or more of a region's population need to be vaccinated to achieve this, including kids, and most vaccines won't be approved for use in kids for at least several weeks or much longer. Children account for roughly 20% of the U.S. population, so their vaccination when is safe to do so remains integral in achieving herd immunity.

Resource of the week:

- If you have a passion or at least an interest in understanding quantitative investing strategies, this episode of *Masters in Business* features an interview with Gary Chropuvka, a big hitter in the quant industry. Gary recently joined the quantitative asset management firm WorldQuant as president and was previously co-head of the quantitative investment strategies team at Goldman Sachs Asset Management. Among points he touches on include explaining what "big data" is, how to capitalize on some hidden trends within the industry, and how this integrates with some current strategies today, namely factor investing. He and WorldQuant also strongly believe in an adhering to an often-underappreciated investment principle by many, diversification. Have a listen to learn more about these interesting topics provided from a respected industry veteran.
- Podcast link: <https://www.bloomberg.com/news/audio/2021-03-26/gary-chropuvka-on-financial-engineering-podcast>

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 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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