



SUMMIT FINANCIAL

Summit Snapshot: Week of April 12th, 2021

Periodic Returns

	Trailing Week			Quarter-to-Date			Year-to-Date		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	1.3%	2.7%	4.0%	2.2%	4.0%	5.7%	13.7%	10.1%	6.7%
U.S. Mid-Cap	1.1%	1.5%	2.3%	2.3%	3.0%	4.3%	15.7%	11.4%	3.7%
U.S. Small-Cap	-0.3%	-0.5%	-0.6%	1.0%	1.0%	1.0%	22.4%	13.9%	6.0%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	2.8%	4.0%	10.4%
NASDAQ Composite	3.1%	4.9%	8.0%
International Developed	1.8%	2.5%	6.1%
Emerging Markets	-0.6%	1.1%	3.4%
U.S. Aggregate Bond	0.4%	0.5%	-2.9%
U.S. Municipals	0.4%	0.5%	0.1%
Corporate High Yield	0.5%	0.7%	1.6%

Source: Morningstar, see 'Disclaimer' for details

U.S. Equity Markets

- Most broad indices advanced for the week aside from the Russell 2000 Index and small-cap stocks. The S&P 500 and Dow Jones Industrial Average both reached new highs while The Nasdaq Composite rose but remained below its February peak. This is the third consecutive week the S&P 500 was up, its longest streak since October 2020.
- In sectors, technology led driven by strong weekly gains in Apple and Microsoft stock, which together comprise more than 40% of the sector's composition. Consumer discretionary followed close behind since Amazon.com had a strong week. The clear laggard was the energy sector, falling around 4% after energy prices declined.
- Like a replay from last year, growth outperformed value to help shrink the year-to-date style disparity. Similarly, large-cap stocks rose and beat small-caps which fell modestly.

International Equity Markets

- International developed markets rose for the week and beat emerging markets which fell slightly. For the year, both regions of the market are positive in the mid-single digit percentages.
- European stocks rose spurred by hopes of at least another fiscal stimulus round and hope that accommodative central bank policies would help fuel the global economic recovery.
- Japanese equities started the week strong but eventually ended flat to slightly-up in USD terms following reports of disappointing consumer spending data.
- Chinese equities fell about 2% in USD terms after ongoing inflation concerns and continued U.S. trade tensions weighed on investors' sentiment. Ironically, most local companies reported positive corporate earnings but were overshadowed by the previously mentioned concerns.

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

- Treasury bonds were slightly up for the week after the benchmark 10-year yield fell back to 1.66%.
- Cheapening across the curve can be seen by the intermediate sector, while the 2s10s spread (difference between the 10- and 2-year rates) remained mostly unchanged over the past few days.
- The corporate spread week-to-date for the USD Investment Grade All Sector OAS was flat.
- Investment grade funds recorded \$4.1 billion in inflows vs \$3.26 billion in inflows the prior week. High yield funds reported \$3.8 billion in inflows vs \$1.3 billion in outflows the prior week.
- Municipal bond yields were 2-9 bps lower on the week, flattening the curve, as fund inflows and Treasury movements continued to provide support to already rich levels.
- Municipal funds received inflows of \$2.1 billion through 4/7, the largest level since early February.
- With the new state budget deal, wealthy NYC residents will surpass California as the highest taxed in the U.S., bringing combined marginal tax rates upwards of 50%.
- **Expanded fixed income commentary from Piton can be found using this [link](#).**

U.S. Economic Data/News

- On Good Friday April 2nd, the stock market was closed but the Labor Department reported that 916,000 jobs were added to the economy in March which lowered the unemployment rate to 6.0%. That far surpassed estimates, and the most jobs added since August. Ironically, the initial weekly jobless claims filed through April 3rd tallied in the highest level in three weeks at 744,000.
- The Institute of Supply Management's gauge of service sector activity spiked to the highest level ever recorded, which backed up the four-decade-high ISM manufacturing reading from the week prior. Employment data, new orders, and business activity all reported strong results.
- The Bureau of Labor Statistics reported that producer prices rose by twice the forecasted amount in March. On a year-over-year increase they rose by 4.2%, the largest in almost a decade.
- A week after President Biden announced the idea of a \$2.25 trillion infrastructure plan, the reception was mixed. Some investors applauded the various incentives it focuses on, but other people worried about the planned tax increases and effect the plan will have on inflation. Biden has now stated he is willing to negotiate how much to increase taxes to pay for the funding.

International Economic Data/News

- England is moving to reopen various businesses next week along with international travel in May. Separately, Germany has initiated some talks to purchase the Russian-built Sputnik V vaccine.
- In March, U.K. construction activity grew at the fastest rate since September 2014 according to an IHS Markit Index. Also based on various surveys, it's suggested the economy may have contracted at a slower pace in the first quarter of 2021.
- Japanese economic data was gloomy. Household spending fell by 6.6% in February, year-over-year, more than the forecasted 5.3% drop. This followed a similar 6.1% drop in January. Likewise, on a month-over-month reading, household spending was up 2.4%, still below expectations.
- China's news was diverse. First, the country's vaccination rate is about 5 million people per day, which puts Beijing's goal of vaccinating 40% of the population before July in sight. The Caixin Services PMI experienced its fastest monthly growth since December following strong business expectations. Finally, the Chinese CPI reading reached a five-month high in March, sparking global inflation concerns as the economic recovery continues.

Odds and Ends

- Arguably the most well-known private cryptocurrency exchange, Coinbase Global Inc., plans to go public on Wednesday through an IPO. The company handles the largest volume of trading for bitcoin and other digital currencies and based on private-markets analysis earlier this year, the company is valued at around \$91 billion. Even though it does not place a specific bet on the future of bitcoin, it capitalizes on the increased trading volume. Thus, if the price of bitcoin falls, its popularity follows suit, and Coinbase may likely suffer.
- Prince Philip, Duke of Edinburgh, and the beloved, devoted husband of Queen Elizabeth II died on Friday at the age of 99. The royal couple were married in 1947, a remarkable 74 years ago. His passing started the transition of power for Britain's royal family. The Queen is 94 years old and has increasingly relinquished some of her duties to her son, Prince Charles, and grandson, Prince William, given her age and challenges. However, she remains in good overall health.
- It's no secret the economy is still in the recovery phase after the unprecedented economic shutdown last year during the pandemic. However, financial assets have likely never been so expensive at the start of a recovery phase. Most stocks are no longer considered cheap, bonds are stretched given the low interest rates, and real estate prices near their highest since before the Global Financial Crisis. However, using the cyclically adjusted price/earnings ratio (CAPE), stocks have not reached their dot-com peak although they currently hover nearly double the long-term average ratio. Planners warn to be prepared for lower future returns than previously experienced and market timing is considered more of a game than a strategy.

Resource of the week:

- As various financial advisors look to become independent, leaving many reputable wirehouses or institutions that govern how they conduct their own practice, they seek out a new home for their business and book of clients. This episode of *Masters in Business* features an interview with Shirl Penney, the founder and CEO of Dynasty Financial Partners. Dynasty is a leading integrated platform services company that some of those independent advisors have ultimately landed at. Today the firm has north of \$60 billion in assets on its platform. Have a listen to hear how one of the leading CEOs in the industry views the continuously shifting industry, and how to take advantage of some opportunities.
- Podcast link: <https://www.bloomberg.com/news/audio/2021-04-01/shirl-penney-on-building-a-100-billion-ria-platform-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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