Summit Snapshot: Week of May 10th, 2021

Periodic Returns

	Trailing Week			Quarter-to-Date			Year-to-Date		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	2.8%	0.9%	-1.0%	6.9%	6.3%	5.7%	18.9%	12.6%	6.7%
U.S. Mid-Cap	2.5%	0.7%	-2.9%	7.5%	5.8%	2.6%	21.5%	14.4%	2.0%
U.S. Small-Cap	3.0%	0.3%	-2.7%	5.1%	2.4%	-0.6%	27.4%	15.4%	4.3%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	1.3%	6.7%	13.3%
NASDAQ Composite	-1.5%	3.9%	6.9%
International Developed	2.6%	5.7%	9.4%
Emerging Markets	0.1%	2.6%	4.9%
U.S. Aggregate Bond	0.3%	1.1%	-2.3%
U.S. Municipals	0.2%	1.0%	0.7%
Corporate High Yield	0.3%	1.4%	2.2%

Source: Morningstar, see 'Disclaimer' for details

U.S. Equity Markets

- Major indices were mixed for the week after Friday's uptick helped to erase some losses endured days earlier. The Nasdaq Composite Index recorded its worst weekly loss in roughly two months.
- Laggard sectors of the S&P 500 include technology, consumer discretionary, utilities, and real estate, all modestly declining up to 1%. Widely outperforming the laggards were energy, materials, and financials which had strong returns between 4% and 9% for the week.
- Nearly 90% of constituent companies in the S&P 500 have reported earnings thus far. For the most part, reported earnings have beat analysts' expectations, far surpassing levels from a year ago.
- For the third consecutive week, value led growth, which strengthened its year-to-date relative dominance. Large-cap stocks marginally beat small-cap stocks. The year-to-date lead that small-caps hold over large-caps, has dramatically shrunk in size.

International Equity Markets

- Internationally, markets were mixed as well. Developed beat out emerging markets as represented by their respective MSCI indices in U.S. Dollar terms.
- European stocks rose in tandem with an escalating level of confidence for an economic recovery. Many companies also reported better-than-expected earnings figures.
- Although Japanese markets had an abbreviated holiday-shortened week, stocks did well and rose. They were also supported by an optimistic recovery outlook despite surging new COVID-19 cases.
- Chinese equities declined in a Labor Day holiday-shortened week. Some pharmaceutical names suffered following the U.S. announcement it may relax vaccine-related regulations thereby increasing competition levels for vaccine manufacturers.

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

- The yield on the 10-year U.S. Treasury plunged 10 bps Friday morning following the jobs number. After hitting 1.46%, the yield came back to around 1.55% in the afternoon session, but still declined over the week.
- Money market rates have stayed anchored towards zero, as the front end of the curve remains impacted by excess cash and the Fed's asset purchase program. Further out, the curve has steepened, with the spread between the 5-year and 30-year up 5 bps on the week.
- Corporate bond spreads for the week were flat according to the U.S. Dollar IG All Sector OAS.
- Investment grade funds reported $3.85 billion of inflows vs $5.19 billion of inflows the prior week. High yield funds reported $1.39 billion of outflows vs $271 million of inflows the prior week.
- Municipal ratios inside 10-years moved slightly higher as Treasuries outperformed munis but remain on the low end of historical averages. In the coming months, net-negative supply, specifically maturities/calls outpacing issuance, should continue to provide some technical support to municipal yields.
- Inflows into municipal bond funds were $585 million compared to $1.64 billion during last week.
- **Expanded fixed income commentary from Piton can be found using this link.**

U.S. Economic Data/News

- Inflation remains a central focus for investors and policymakers alike. A widely misconstrued comment from Treasury Secretary Janet Yellen on Tuesday implied that rates may inevitably rise to prevent an economic meltdown following the various stimulus packages. She later clarified her statement was neither meant as a prediction or recommendation for the central bank to raise rates, rather simply that the Fed will promptly address an inflationary problem if one develops.
- The employment recovery picture took a breather as the Labor Department reported on Friday that nonfarm payrolls grew by 266,000 in April, much less than the 1 million jobs expected. Consequently, the unemployment ticked up slightly to 6.1% in April. Ironically, the average hourly wage rate jumped by 0.7%, indicative of the high level of competition for qualified workers. Contrasting this, new weekly jobless claims fell to a record-low during the pandemic of 498,000.
- The Institute for Supply Management's measure of manufacturing levels in April tallied in at 60.1, below an estimate near 65. Keep in mind, readings over 50 indicate an economy is expanding.

International Economic Data/News

- European nations reported encouraging pandemic-related news. First, the Netherlands and Belgium eased up on some of their lockdown restrictions. Also, the U.K. plans to offer a booster shot to people over the age of 50 in the fall, aiming to eradicate COVID-19 by Christmas.
- Eurozone retail sales volume grew by 2.7% in March, after a similar 4.2% jump in February. Similarly, German manufacturing order rose 3.0% in March, following a 1.2% increase in February.
- Japan extended a state of emergency in Tokyo and other locales until May 31st to effectively subside the current surge in cases and allow the country time to ramp up its vaccination efforts. That said, the government is keen on limiting any economic damage, and looking to allow some businesses and industries to reopen for a shorter amount of hours and added restrictions.
- China's PMI Index rose to 56.3 in April, the fastest pace of growth this year as reported by Caixin. April's exports smashed expectations and rose 32% from a year earlier while imports rose by 43%.

Odds and Ends

- Various consumer goods prices have risen by double-digit percentages from a year ago. In many cases, costs have risen and may continue to rise in every step of the goods production process. Commodity prices, including oil, crops, lumber, and copper have spiked recently which has begun to affect the budgets of consumer and businesses. In fact, according to the Labor Department consumer prices jumped 2.6% in March on a year-over-year basis, the largest 12-month increase since mid-2018. All eyes are watching as readings of broad inflation measures are reported and the reactions that follow from the Federal Reserve.
- The pandemic is positioning midsize cities to lead the nation in the economic rebound effort. Cities such as Greenville, South Carolina, Des Moines, Iowa, and Provo, Utah have attracted many people and businesses to relocate during the pandemic given their affordable homes, ample outdoor space free of congestion, and mostly pleasant weather. Additionally, they boast a diverse lineup of industries, which were much less severely impacted by the pandemic-induced restrictions. As supporting evidence, the adjusted unemployment rates in each city respectively was 4.3%, 4.1%, and 2.5% in March, well below the national level of 6.0% at the time. Economists believe the people who chose to relocate may stay put given the amount of upside that is at stake.
- Several Biden administration officials hinted on Sunday the U.S. is "turning the corner" towards relaxing several COVID-19 related restrictions, including mask-wearing compliance. The team remains focused on reaching their goal of having at least 70% of the adult population of the nation receive at least one dose by July 4th. According to this WSJ article, about 58% of the adult population has received at least one vaccine dose. Dr. Anthony Fauci stated the Centers for Disease Control and Prevention will update their enforced mandates in nearly real-time speed as they continue to monitor the overall situation.

Resource of the week:

- Ironically after selling both of their social app companies and rethinking their careers, Paul Davidson and Rohan Seth knew they should probably not enter the volatile business of social media again. Then comes March 2020 and the duo launched an invitation-only, auditory communication social media app, called Clubhouse, which hosts virtual rooms for live discussions accommodating up to 5,000 people in a room. Coincidentally, the launch could not have come at a better time as the pandemic took hold of the world and people rapidly began to rely on virtual communication methods. Today, despite an increasing amount of competition from well-established media companies, Clubhouse continues to grow and has over 10 million users. Have a listen to this interesting episode of another social media company's founding, albeit quite a differentiated one.
- Podcast link: https://www.npr.org/2021/05/05/993803712/live-episode-clubhouse-paul-davison-and-rohan-seth

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 Nasdaq Composite Index is a large market capitalization-weighted index of more than 2,500 U.S.-domiciled stocks. The index's composition is heavily weighted to the information technology sector, with consumer services, health care and financials the next most prominent industries. 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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