



SUMMIT FINANCIAL

Summit Snapshot: Week of May 24th, 2021

Periodic Returns

	Trailing Week			Quarter-to-Date			Year-to-Date		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	-0.7%	-0.3%	0.1%	5.4%	4.5%	3.6%	17.3%	10.7%	4.6%
U.S. Mid-Cap	-0.9%	-0.2%	1.3%	5.4%	4.2%	1.8%	19.1%	12.7%	1.2%
U.S. Small-Cap	-1.0%	-0.4%	0.3%	2.8%	-0.1%	-3.3%	24.6%	12.5%	1.4%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	-0.4%	4.8%	11.3%
NASDAQ Composite	0.3%	1.8%	4.8%
International Developed	1.1%	5.4%	9.1%
Emerging Markets	1.7%	1.2%	3.6%
U.S. Aggregate Bond	0.1%	0.8%	-2.6%
U.S. Municipals	0.1%	0.9%	0.6%
Corporate High Yield	-0.1%	1.0%	1.9%

Source: Morningstar, see 'Disclaimer' for details

U.S. Equity Markets

- Stocks ended the week with mixed results after a few volatile trading sessions. Tuesday produced the largest declines reflective of inflation worries while Thursday had a swift upswing indicative of sustained strength in the U.S. economy.
- Within the S&P 500 Index, real estate and health care were the largest gainers being up nearly 1%. The laggards were energy and industrials falling by 2.5% and 1.6% respectively.
- Growth stocks appreciated and accordingly beat value stocks which retracted last week. However, the small-cap versus large-cap dispersion was less noticeable. For the year, small-caps held a slight advantage over large-caps while value maintained its solid lead over growth.
- Inflation remains a central focus for investors, as some consumers worry different goods' price increases may become commonplace before policy actions take place.

International Equity Markets

- International equities rose. Emerging markets bested developed markets as represented by their respective MSCI indices.
- European stocks advanced amidst the economic recovery as pandemic-induced restrictions are gradually being alleviated. Various countries have withdrawn some longstanding coronavirus precautions, but U.K. Prime Minister Boris Johnson delayed plans to remove restrictions entirely.
- Japanese equities finished higher after a strong April exports report and encouraging manufacturers' business confidence levels.
- Chinese stocks recorded strong gains in U.S. Dollar terms. Recently, the Chinese currency, renminbi, has strengthened versus the dollar being driven by foreign investments in securities.

Credit Markets

- U.S. Treasury yields were unchanged over last week, as the benchmark 10-year yield ended at 1.62%. This is approximately 1 bp lower than the week prior.
- The recent cryptocurrency volatility has arguably sparked a renewed interest in some bonds. In efforts to diversify away from equities and tactically take on less risk than crypto, bonds do well.
- Municipal bonds were flat to slightly positive given their strong levels of demand despite reports their pace of asset inflows has slowed.
- Corporate bonds were mixed as represented by their Bloomberg Barclays indices. Investment-grade issues were supported by adequate levels of primary issuance, while high-yield bonds marginally fell amidst inflation concerns.

U.S. Economic Data/News

- Minutes from the most recent Federal Open Market Committee's meeting in late April indicated that some meeting attendees are looking for change. They are hoping the Fed begins tapering down the level of their monthly asset purchase program from its current \$120 billion. The hope is this reduction will place less unnecessary pressure on inflation over time.
- Estimates for the IHS Markit Flash U.S. Composite PMI Output Index surprised strongly to the upside. The service sector component rose to a record 70.1 from last month's 64.7 while the manufacturing sector's survey recorded at 61.5 from a prior 60.5. These surveys clearly indicate a rebounding economy although realistic inflation concerns persist.
- Initial weekly jobless claims tallied in at 444,000, the lowest level since March 14, 2020. Continuing claims rose 111,000 to 3.75 million in aggregate although they report with a week's lag.
- As mentioned earlier, cryptocurrencies have suffered as of late. After more than a year of astronomical growth famously backed by Elon Musk, Paul Tudor Jones, and even Snoop Dogg, the benchmark Bitcoin has fallen nearly 50% since mid-April. It began 2020 at about \$7,000, peaked at \$64,829 in April, and is trading around \$31,281 on late Sunday. Aside from the recent volatility, the official validation of the currency and level of usage in the economy remains unknown.

International Economic Data/News

- Eurozone business activity grew at its fastest pace in three years. The flash composite PMI for May came in at 56.9, up from 53.8 in April. In the U.K., consumer price inflation spiked to 1.5% in April from a relative 0.7% level in March. Also, after localized coronavirus restrictions were lifted, retail sales grew by 9.2% on a year-over-year basis in April.
- After strong double-digit growth rates during Q3 and Q4 of 2020, Japan's economy shrunk by an annualized 5.1% in the first quarter of 2021, more than expected. The decline is mainly attributed to private consumption levels given the hardship on retail (clothing) sales and restaurants. The central bank, however, is not straying from their long-term accommodative view.
- To mitigate any distortions prevailing in 2020, China reported its two-year average level of retail sales growth fell to 4.3% in April, down from 6.4% in March. Additionally, new surges in coronavirus cases in several Chinese provinces stirred up concerns that COVID-19 can cause future disruptions.
- Columbian assets were subject to the recent credit downgrade by S&P Global Ratings to BB+. Ironically, the downgrade came just one month after S&P reiterated its BBB- rating with a negative outlook. It is likely due to the withdrawal of a tax reform bill by President Ivan Duque Marquez.

Odds and Ends

- Given the additional signs that inflation is picking up, investors would be prudent to look for ways to protect their portfolios from the erosion effect that inflation can have. A traditional solution, namely gold, is trading at near-record prices which is a turn-off. Other alternatives include bitcoin but the recent volatility does not help, bonds albeit their modestly low rates, and real estate investment trusts. Conventional commodities remain a solid solution to offset some effects due to inflation. However, the most direct method to address this developing dynamic may be governmental intervention targeting interest rates.
- For golf fans, this weekend marked one for the record books. Phil Mickelson won the 2021 PGA Championship on Sunday, taking place at Kiawah Island Golf Resort in South Carolina this year. With the win, he became the oldest player in history to win a major golf tournament at 50 years 11 months old, nearly 2.5 years older than the prior record holder Julius Boros who won in 1968. Also, the walk up the 18th fairway set a scene not seen since before the start of the pandemic. Fans packed onto the course and surrounded Phil during his whole walk, rooting him on – very surreal to see as the pandemic’s severity subsides further.
- The Nyiragongo volcano in The Republic of Congo erupted overnight from Saturday into Sunday, causing thousands of residents from the Congolese city of Goma to flee. The lava covered the city’s major highway and spewed into the region’s outskirts making life difficult or even impossible for many people. Since Goma is home to nearly two million people, it is relatively innocuous that at least 3,500 people, many carrying mattresses, fled into the bordering country of Rwanda. Flights to Goma airport were halted and gas stations ordered to empty their tanks to thwart any threat of gas explosions. By Sunday morning, the flow of lava slowed considerably, allowing some residents to return to their hopefully spared homes.

Resource of the week:

- This episode of *We Study Billionaires* features a conversation with internet entrepreneur Scott Lynn, who most recently founded the company Masterworks. The [company](#) provides investors access to multi-million dollar pieces of art, in appetizing sizes that fit many financial portfolios. Scott aims to educate people why to consider art as part of a portfolio, what are the potential risks and rewards to be aware of, and where to even start researching information about the art market. Have a listen for an interesting, educating episode aimed at disrupting the norm.
- Podcast link: <https://www.theinvestorspodcast.com/episodes/why-you-should-be-investing-in-art-shares-w-scott-lynn/>

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 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). The IHS Markit Flash US Composite PMI Output Index is a monthly summary report concerning the changes in the working conditions of private companies in the manufacturing and service sectors. The indicator is based on monthly surveys of purchasing managers working in approximately 1,000 private companies of the US manufacturing sector. 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. 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