



# SUMMIT FINANCIAL

## Summit Snapshot: Week of June 21<sup>st</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	-4.1%	-1.8%	0.5%	2.3%	5.2%	8.1%	13.9%	11.4%	9.2%
U.S. Mid-Cap	-4.7%	-3.0%	0.3%	2.6%	4.0%	7.0%	16.0%	12.5%	6.4%
U.S. Small-Cap	-5.5%	-4.2%	-2.7%	2.2%	1.0%	-0.4%	23.8%	13.8%	4.5%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	-1.9%	5.2%	11.7%
NASDAQ Composite	-0.3%	6.1%	9.2%
International Developed	-2.4%	5.3%	8.9%
Emerging Markets	-1.5%	3.9%	6.2%
U.S. Aggregate Bond	0.1%	1.8%	-1.6%
U.S. Municipals	-0.3%	1.5%	1.1%
Corporate High Yield	-0.1%	2.1%	3.0%

Source: Morningstar, see 'Disclaimer' for details

### U.S. Equity Markets

- U.S. equity markets were dragged lower after surprisingly hawkish statements from the recent Fed policy meeting indicated that rate hikes could come sooner than many expected.
- Cyclical sectors most reliant on economic growth were hit the hardest. This included financials, energy, and materials.
- Growth-oriented sectors proved the most resilient. The top-performing S&P 500 sectors for the week included IT and consumer discretionary. Notably, IT was the only positive sector for the week, but just barely - rising 0.1%.
- Large-caps generally bested small-caps as investors fled to quality.
- Despite larger losses last week, value and small-cap stocks continue to be ahead of large-cap and growth stocks for the full year, respectively, although the gap is narrowing.

### International Equity Markets

- Developed and emerging non-U.S. markets also fell last week in line with U.S. equities.
- European stocks declined following the Fed's hawkish announcement, although the ECB's recent messaging continues to be more dovish.
- Japanese equities had mixed returns for the week amidst a weakening yen, generally ahead of other major developed markets.
- Chinese equities had their third consecutive weekly loss as capital outflows increased and mutual funds faced greater redemption requests.

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

- The 10-year treasury yield moved lower Friday to 1.44% after a volatile week.
- The 30-year treasury yield fell nearly 0.09% for the first time since February, with the spread between the 5-year and 30-year flatter at 1.19%.
- Corporate investment-grade spreads were modestly (0.02%) tighter for the week.
- The Barclays U.S. Aggregate Corporate Spread Index reached its lowest level since 2005. Corporate high yield spreads are also near historic lows.
- Tax-exempt yields moved slightly higher with treasuries after the Federal Open Market Committee (FOMC) meeting's hawkish tone indicated higher rates may come sooner than expected.
- Municipal bond funds saw continued inflows for the 15th consecutive week adding another \$1.85 billion.
- Muni supply this week is expected to be approximately \$9.1 billion. Notable deals include the State of Tennessee for \$657.7 million, Massachusetts Educational Finance Authority for \$381.7 million, and the City of Philadelphia Water & Wastewater for \$359.5 million.
- **Expanded fixed income commentary from Piton can be found using this [link](#).**

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

- Fed policymakers surprised markets when word spread that potential rate hikes could be sooner than expected in 2023. Fed Chair Powell noted that the economic recovery was progressing more quickly than expected and that they have begun to discuss slowing the pace of bond purchases.
- Notes released after the meeting showed the Fed now expects two rate hikes by the end of 2023. The moved-up timeline reflects potential concerns about high inflation, although messaging continues to stress that it is likely transitory.
- The real GDP growth estimate for 2021 moved up to 7%, while the unemployment rate for next year remains targeted at around 4.5%. While these numbers are encouraging, they also reinforce the potential decision to hike rates sooner than expected.

## **International Economic Data/News**

- The U.K. delayed its reopening for another month after a concerning number of new coronavirus infections likely caused by the new 'Delta' variant arose. On the other hand, France ended a nighttime curfew and began phasing out mask requirements in public places.
- The Japanese government also eased some coronavirus restrictions ahead of the impending summer Olympics. Specifically, the state of emergency will be lifted in certain districts as infections are declining as the vaccine rollout has accelerated.
- The opposition party in Japan submitted a vote of no confidence against PM Suga in response to his decision to push ahead with the Olympics. Opponents believe Suga and his government haven't been effective in protecting the Japanese people against the pandemic.
- Chinese economic data has recently come in slightly lower than expected leading some to believe that the country's growth momentum from the recovery may have peaked.

## Odds and Ends

- Juneteenth is an annual holiday observing the end of slavery in the U.S. and marks the day (June 19, 1865) when news of emancipation reached people in the deepest parts of the former Confederacy in Galveston, Texas. In 2021, it became the first new federal holiday created by Congress in nearly four decades. The bipartisan legislation was signed into law by President Biden on June 17, giving Juneteenth the same status as Memorial Day, Veterans Day, Martin Luther King Jr. Day and other federal holidays.
- The SEC is preparing to require public companies to disclose more information about how they respond to threats linked to climate change. The SEC's new chairman, Biden administration appointee Gary Gensler, has said climate-related disclosure is a top priority, and President Biden plans to meet Monday with top financial regulators to discuss the issue. The SEC has already sought industry input, much of which arrived last week, for a rule proposal that could be issued by October.
- The Summer Olympics in Tokyo will include up to 10,000 Japanese spectators at each event despite advice by leading doctors that the Games would be safer without crowds. The decision clears up the final major uncertainty about the Games ahead of the opening ceremony on July 23. Officials said in March that foreign spectators wouldn't be permitted to travel to Japan to attend the Olympics.

## Resource of the week:

- Alex Rodriguez (affectionately – or not so affectionately – known as A-Rod) had a 25-year professional baseball career, highlighted by appearing in 14 MLB All-Star Games, winning the 2009 World Series Championship as a member of the NY Yankees, and hitting 696 home runs including more grand slams than any other player in history. He is also the Chairman and CEO of A-Rod Corp, an investment holding company he started at age 20 in 1995 that today spans investments in real estate, venture capital, a SPAC, and recently announced the Minnesota Timberwolves basketball team. This *Capital Allocator's* episode covers Alex's early interest in business, lessons he learned from Warren Buffett, Magic Johnson, and Greg Norman, the strategy of A-Rod Corp, time management, leadership, and identification of partners. The conversation then turns to his investment activities in real estate, the Slam Corp SPAC, venture capital, and the Minnesota Timberwolves, and Alex's reflections on his year-long suspension from baseball in 2014 and the future of A-Rod Corp.
- Podcast link: <https://capitalallocators.com/podcast/business-after-baseball/>

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. 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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