



# SUMMIT FINANCIAL

## Summit Snapshot: Week of July 19<sup>th</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	-1.4%	-1.3%	-1.1%	-0.8%	0.3%	1.3%	16.2%	15.3%	14.4%
U.S. Mid-Cap	-2.5%	-2.8%	-3.4%	-1.7%	-2.1%	-2.7%	17.4%	13.8%	7.4%
U.S. Small-Cap	-4.3%	-5.1%	-5.9%	-5.7%	-6.4%	-7.0%	19.4%	10.1%	1.4%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	-1.0%	0.8%	16.1%
NASDAQ Composite	-1.9%	-0.5%	12.3%
International Developed	-0.5%	-0.1%	8.8%
Emerging Markets	1.7%	-2.3%	5.0%
U.S. Aggregate Bond	0.2%	0.7%	-0.9%
U.S. Municipals	0.0%	0.7%	1.8%
Corporate High Yield	-0.1%	0.3%	3.9%

Source: Morningstar, see 'Disclaimer' for details

### U.S. Equity Markets

- Major benchmarks finished the week lower, but not before some reached all-time highs mid-week. Notable ones include the S&P 500 and Nasdaq Composite which tipped new levels on Tuesday.
- The S&P 500 sector performance was diversified as around 10% in magnitude separates the top (utilities) and bottom (energy) performing sectors. Energy was particularly weak, down nearly 8% as corporate and leisure travel continue to recover from the pandemic shutdown.
- This [WSJ article](#) touches on some companies that defined the market last week. Notably, some large banks including Goldman Sachs, JPMorgan, and Bank of America reported significant increases in second-quarter profits as signs indicate consumer spending levels have rebounded.
- On a relative basis, large-cap stocks beat small-caps although all segments lagged. Year-to-date large-caps are ahead of small-caps, contrasting the theme of the first half of the year. The value versus growth performance disparity last week was muted.

### International Equity Markets

- International stocks were mixed depending on the region and index referenced. Emerging market equities rose, and beat developed which declined in U.S. Dollar terms.
- European stocks fell as investors feared renewed surges in coronavirus cases coupled with premature monetary policy tightening may stifle future economic growth.
- Japanese equities did marginally well considering the recent surge in cases which hit the highest one-day count since January. Tokyo was placed under the fourth coronavirus-induced state of emergency, this time lasting the entire duration of the Olympic Games through August 22<sup>nd</sup>.
- Chinese equities did well despite a volatile trading week. The MSCI China Index rose 2.3% in U.S. Dollar terms after Thursday's GDP report was in-line with expectations. Encouragingly, most provinces in southern China have seen a reduced number of new cases.

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

- Treasury yields finished the week higher after some midweek volatility, with yields on the 10-year around 1.32%, down 2.9 bps. The 30-year is off 3.2 bps around 1.94%.
- On the data front, Friday's retail sales came in stronger than consensus with headline sales up 0.6% for the month of June.
- The corporate bond spread last week for the USD IG All Sector OAS was flat to wider by 1 bp.
- Investment grade funds recorded \$4.41 billion of inflows vs \$4.00 billion the prior week. High yield funds reported \$1.39 billion of outflows vs \$728.3 million of inflows the prior week.
- Moody's tweaked their methodology which led to a credit downgrade of one notch for financial services companies TD Ameritrade, U.S. Bancorp, and Credit Suisse.
- Municipal yields were largely unchanged over the course of the week as investors digested Consumer Price Index (CPI) numbers and Fed Chair Powell's comments.
- Funds' inflows continued for the 19<sup>th</sup> consecutive week adding approximately \$2.24 billion to an already cash-saturated market.
- **Expanded fixed income commentary from Piton can be found using this [link](#).**

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

- On Tuesday, the Labor Department reported that consumer prices spiked 5.4% in June from a year earlier, the largest monthly increase since August 2008. Excluding food and energy, inflation rose 4.5% over the past 12-months which is the largest move since 1991. Around one-third of the increase was attributed to used-car prices. Jerome Powell acknowledged the spike was larger than he expected but reiterated his view on inflation as being temporary to calm investors' fears. To combat this, the Fed may ponder tapering asset purchases aside from raising interest rates.
- Retail sales rose 0.6% in June, far surpassing forecasts for a 0.4% decline. Excluding the auto-sector impacted by the semiconductor chip shortage, sales rose 1.3% spread in various sectors indicative of the economic reopening. However, the University of Michigan's consumer sentiment survey fell to its lowest level since February due to ongoing inflation concerns.
- An index measuring New York region manufacturing activity hit a new high reflective of strong order-growth and shipments. Also, weekly jobless claims hit a new pandemic-era low of 360,000.

## **International Economic Data/News**

- European policies to battle COVID-19 are mixed. The U.K. will soon lift all localized lockdown rules while France implemented restrictions to mitigate the spread of the new variant. The Netherlands and Germany are adopting a more cautious wait-and-see approach before making changes.
- Price inflation in the U.K. increased to 2.5% in June from 2.1% in May. Key contributors include food, fuel, used cars, and clothing sales. The Bank of England is considering tightening their monetary policy soon in concerted efforts to control unwanted inflation.
- In line with expectations, the Bank of Japan voted to leave interest rates unchanged and maintain its asset purchase program. It also focused on progressing towards a greener economy. Interest-free loans used for climate change initiatives will likely be launched in 2021.
- Chinese companies listed on U.S. exchanges continue to be scrutinized. Local regulations may force the listing of such companies to refocus in Hong Kong. This [Barron's article](#) has more information.

## Odds and Ends

- Space exploration has developed into a three-horse race between Blue Origin, SpaceX, and Virgin Galactic Holdings. The latest news pits Blue Origin, founded by former Amazon.com CEO Jeff Bezos, as looking to continually set new trends in an ever-expanding industry. Bezos and three other people will take their first trip to the edge of space on Tuesday, a week after Richard Branson did so in his own company's spacecraft. The plan is for one or all these companies to routinely make moon landings, asteroid mining, and general space tourism to ensure the succession of the human race into the future.
- Used-car prices, which have soared in recent months, have more recently reached new levels that seem to defy logic. According to an Edmunds.com survey, the average price paid for a used car is up about 30% compared to what it was in January 2020. Likewise, new-car prices are up around 10% over the same time frame. Rationale for this may likely be due to the global computer-chip shortage which are essential when manufacturing new vehicles. Since the new-car inventory is affected by this, consumers' demand for used cars has skyrocketed pushing prices up. Chances are if you have a reliable used car, you may be able to make a nice return by selling it.
- Germany and its neighboring countries are grappling with extreme flooding due to a heavy, prolonged rainfall. Residents in the danger zone were strongly encouraged to evacuate as the rain continued to fall over the weekend. Nearly 180 Europeans were officially killed from the flooding, with hundreds more still reported missing. The flooding has caused havoc as a local dam burst due to the water pressure near Wassenberg, Germany, and a separate landslide created a massive crater near Cologne. Officials warned that any affected buildings are susceptible to collapse from damage even after the water retreats.

## Resource of the week:

- A leading investment management company that is flourishing today after a long-term development path, but you may not have heard too often is Voya Financial. The firm spun off from parent company ING Group in 2013 as an initial public offering, and currently manages nearly \$250 billion in total assets. This episode of *Masters in Business* features a conversation with CEO Christine Hurtzellers who touches on her personal career, the firm's business model which has been adapted over years of learned lessons and building trust, and future plans for success. Have a listen to the episode to learn more.
- Podcast link: <https://www.bloomberg.com/news/audio/2021-07-09/christine-hurtzellers-on-the-business-of-trust-podcast>

Sources: The WSJ, T. Rowe Price Global Markets Weekly Update, Barron's

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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 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 China Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of China. 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 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. For reference, ‘USD IG All Sector OAS’ represents the U.S. Dollar Investment Grade All Sector Option Adjusted Spread. The Consumer Price Index (CPI) is a measure that examines the weighted average of prices in a basket of consumer goods and services, such as transportation, food, and medical care. 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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