



SUMMIT FINANCIAL

Summit Snapshot: Week of August 2nd, 2021

Periodic Returns

| | Trailing Week | | | Quarter-to-Date | | | Year-to-Date | | |
|----------------|---------------|-------|--------|-----------------|-------|--------|--------------|-------|--------|
| | Value | Blend | Growth | Value | Blend | Growth | Value | Blend | Growth |
| U.S. Large-Cap | 0.6% | -0.4% | -1.3% | 0.8% | 2.1% | 3.3% | 18.0% | 17.3% | 16.7% |
| U.S. Mid-Cap | 0.9% | 0.4% | -0.5% | 0.6% | 0.8% | 1.0% | 20.2% | 17.1% | 11.6% |
| U.S. Small-Cap | 1.4% | 0.8% | 0.2% | -3.6% | -3.6% | -3.6% | 22.2% | 13.3% | 5.0% |

| | Trailing Week | Quarter-to-Date | Year-to-Date |
|-------------------------|---------------|-----------------|--------------|
| S&P 500 Index | -0.4% | 2.4% | 18.0% |
| NASDAQ Composite | -1.1% | 1.2% | 14.3% |
| International Developed | 0.6% | 0.8% | 9.6% |
| Emerging Markets | -2.5% | -6.7% | 0.2% |
| U.S. Aggregate Bond | 0.2% | 1.1% | -0.5% |
| U.S. Municipals | 0.0% | 0.8% | 1.9% |
| Corporate High Yield | 0.1% | 0.4% | 4.0% |

Source: Morningstar, see 'Disclaimer' for details

U.S. Equity Markets

- U.S. equities were mixed last week. Large-cap stock indices ultimately fell week-over-week but not before some, including the Nasdaq Composite, reached record highs midweek.
- This [WSJ article](#) discusses some prominent companies and headlines. Included are Amazon, UPS, Robinhood, and Disney to name a few. After Amazon reported a slowdown in recent e-commerce sales, its stock suffered and fell 9% last week. Separately, Robinhood began trading through an IPO on Thursday, initially priced at \$38 per share. The stock was volatile and ended Friday at \$35.15.
- Within S&P 500 sectors, materials and energy led. Consumer discretionary lagged after Amazon struggled given the news stated above. Communication services also fell after social media giants Facebook and Twitter declined.
- Small-cap stocks beat large-caps while value led growth. This trend may have been exacerbated last week after the Centers for Disease Control and Prevention recommended that vaccinated individuals wear masks indoors in reportedly high-transmission areas.

International Equity Markets

- International equities were mixed. Developed markets were largely positive and beat emerging markets which declined mostly due to vast weakness emanating from China.
- European stocks were flat to slightly up after strong earnings were offset by developing delta-spread concerns. Encouragingly, the U.K. will allow most travelers from the U.S. and England who have been fully vaccinated to enter England, Scotland, and Wales without quarantining.
- Japanese stocks were slightly up as represented by the MSCI Japan Index despite surging levels of new COVID-19 cases. This seemingly comes at the worst time as the Tokyo Olympics is in full swing.
- Chinese equities plummeted following increased fears of forced government oversight and intervention in private companies and sectors.

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

- Yields remained lower across the curve, with the 10-year around 1.23% Friday morning.
- The Bloomberg Barclays US Aggregate Bond Index is up 1.1% through July, compared to the S&P 500 Index up roughly 2.4% over the same time period.
- The corporate bond spread for the week for the USD IG All Sector OAS was tighter by 2 bps.
- Investment grade funds recorded \$293 million of inflows versus \$1.19 billion of outflows last week. High yield funds reported \$995 million of inflows versus \$742 million of outflows last week.
- Municipal benchmark yields pivoted around the 10-year as some strength was seen in shorter tenors while the longer faded, steepening the curve.
- Municipal bond funds added \$1.39 billion this week, the 21st consecutive week of inflows. Most assets were added to the long-term and high-yield styles.
- **Expanded fixed income commentary from Piton can be found using this [link](#).**

U.S. Economic Data/News

- Second-quarter company earnings were a main catalyst last week for some individual companies, including technology and internet-related firms. However, mounting macroeconomic concerns around the delta variant's spread spooked investors. On Tuesday afternoon, the CDC reissued a formal recommendation for vaccinated people to wear masks in public settings which feels like a backtrack against the positive covid-related news over the past few months.
- The Commerce Department reported its estimate that the U.S. gross domestic product advanced by about 6.5% on an annualized basis. This is less than prior estimates near 8.5% and may be attributed to ongoing supply chain gaps. Nonetheless, it was the second-fastest quarterly growth rate since 2003 and lifted the domestic economy higher than its pre-pandemic peak level.
- Other economic data was mostly positive. The July consumer confidence reading surprised to the upside while inflation expectations mitigated slightly. Personal spending rose more than forecasted, near 1% month-over-month. Slightly negative, was the smaller-than-expected drop in weekly jobless claims and small rise in continuing claims.
- The July 27-28th Federal Open Market Committee's meeting featured an arguably hawkish statement that "the economy has made progress toward" the committee's goal. However, Fed Chair Powell quickly defended their stance, stating that "substantial further progress" is needed before actions will be taken, possibly including tapering their monthly asset purchases.

International Economic Data/News

- The Eurozone economy reported a 2% growth rate in the second quarter relative to the first and higher than expected. The 12-month growth rate was 13.7% as output expanded in Germany, France, Italy, and Spain. Germany struggled with some supply chain issues.
- Aside from the spiking coronavirus cases in Tokyo amidst the Olympics, the auto sector surprisingly rebounded. In June, auto production spiked nearly 23% which increased industrial output by 6.2% on a year-over-year basis. Contrary to this, retail sales only rose by 0.1% over the same period.
- The Chinese government's control over certain industries increased. China officially banned after-school tutoring companies from being run for profit, raising capital, or going public. Similarly, the companies are not permitted to offer tutoring on weekends or give lessons to kids under six years old. To curtail this negativity, the People's Bank of China interjected ¥30 billion into the economy.

Odds and Ends

- As inflation remains at the forefront of many investors' list of concerns, other investors are betting it will subside over the next few years. Since inflation can eat away at many profitable margins and bond returns, controlling it is imperative for an economy to flourish. In an interesting twist, the break-even rate, or difference in yields between Treasuries and otherwise-equal inflation-protected bonds, spiked in May but has since retreated. Coming reports in the next few days include factory orders, vehicle sales, and monthly employment data which should provide an inclination of how the inflation dynamic could evolve.
- The road to the Olympics for U.S. pole vaulter Matt Ludwig is a unique, unforeseen one. After receiving a call that Sam Kendricks, the original athlete who had qualified, had tested positive for COVID-19, Matt needed to jump into action fast to get to Tokyo in time for his competition since he was the backup athlete. He was given only hours to pack up his stuff and required heavy cooperation from his mom to bring him everything he needed, including his at least 15-foot-long pole. Fast forward through his long multi-flight journey around the globe, and he made it to the competition but failed to medal. However, he will have memories and stories to last a lifetime.
- Anyone who smokes Marlboro cigarettes may have heard of the Marlboro Ranch in Montana. Marlboro's manufacturer Philip Morris recently sold the 18,000-acre property where it had provided all-expenses-paid trips to loyal customers for decades. As cigarette smoking declines in popularity, so do some perks smokers were accustomed to receiving. Termed a "Disneyland" for smokers, the ranch would gift visitors with piles of goodies including Stetson hats, clothing and boots, ashtrays, and in earlier years even Marlboro cigarettes. Philip Morris has been seeking to divert attention from harmful cigarette smoke to alternative, less harmful tobacco products, and chose to sell the ranch following that viewpoint.

Resource of the week:

- A staple input to any homebuilding process is the plumbing and all functions that includes. Like other industries reliant on supplies, the plumbing industry was vastly altered during the pandemic. Windows, sinks, and bathtubs are in short supply due to bottlenecks that have formed in various supply chains globally. This episode features an interview with Trey Northrup, leader of the Americas at LIXIL who discusses the different industry hardships and his long-term outlook. His firm sells bathtubs and other basic plumbing supplies under different brand names. Have a listen if you have dealt with this frustrating problem or may have to one day in some capacity.
- Podcast link: <https://www.bloomberg.com/news/articles/2021-07-29/the-bathtub-episode-how-the-pandemic-disrupted-plumbing?srnd=oddlots-podcast>

Sources: The WSJ, T. Rowe Price Global Markets Weekly Update

DISCLAIMER

This commentary was written by Craig Amico, CFA®, CIPM®, Associate Director, Noreen Brown, CFA®, Chief Wealth Strategist and Steven Melnick, CFA®, Associate Director 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 ‘USD IG All Sector OAS’ represents the U.S. Dollar Investment Grade All Sector Option Adjusted Spread. 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. FANGAM is an acronym representing Facebook, Apple, Netflix, Google, Amazon, and Microsoft 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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