SUMMIT FINANCIAL

Summit Snapshot: Week of August 9th, 2021

Periodic Returns

	Trailing Week			Quarter-to-Date			Year-to-Date		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	0.9%	0.9%	1.0%	1.7%	3.0%	4.3%	19.0%	18.4%	17.8%
U.S. Mid-Cap	0.8%	0.8%	0.7%	1.4%	1.5%	1.7%	21.2%	18.0%	12.4%
U.S. Small-Cap	1.1%	1.0%	0.9%	-2.6%	-2.7%	-2.8%	23.4%	14.4%	6.0%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	1.0%	3.4%	19.1%
NASDAQ Composite	1.1%	2.3%	15.6%
International Developed	1.0%	1.8%	10.8%
Emerging Markets	1.2%	-5.6%	1.4%
U.S. Aggregate Bond	-0.4%	0.7%	-0.9%
U.S. Municipals	-0.1%	0.7%	1.8%
Corporate High Yield	-0.2%	0.2%	3.8%

Source: Morningstar, see ‘Disclaimer’ for details

U.S. Equity Markets

- Equities were positive last week, helping large-cap indexes and the tech-heavy Nasdaq Composite breach new all-time highs.
- Analysts polled by FactSet are currently expecting second-quarter earnings for the S&P 500 to have increased by over 85% versus the year before and revenues to have grown by nearly as much.
- Within the S&P 500 Index, financials were the top performing sector as higher rates helped support lending margins.
- The consumer staples and materials sectors lagged based on disappointing earnings results from larger constituent holdings.
- There was little dispersion amongst different investment styles and market-caps last week. Year-to-date, value equities retain a modest lead over growth stocks while large-caps now lead most small-cap benchmarks.

International Equity Markets

- International equities were mostly in line with domestic market counterparts. The MSCI Emerging Markets Index had a slight lead over the developed, non-U.S. MSCI EAFE Index.
- European shares rose based on strong earnings results and continued enthusiasm for the recovery, even as the new COVID variants gain steam.
- Japanese stocks had gains last week also boosted by positive earnings releases.
- Chinese equities rose following the prior week’s steep declines. Some investors stepped into recent weakness in sectors that faced potential increased regulatory scrutiny by the Chinese state.

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

- U.S. 10-year treasury yields ended the week higher based on encouraging economic data which could result in sooner monetary tightening.
- Refunding supply begins this week with $27 billion of 30-year bonds on Thursday.
- The Fed's next steps on tapering will remain front and center following the strong numbers on job creation, unemployment and wage growth.
- Investment grade and high yield funds recorded $364 million and $1.15 billion of outflows, respectively, last week.
- Municipals maintained a defensive tone throughout the week as the front end was a bit stronger. Friday's strong jobs numbers resulted in some weakness across the entire curve as treasuries retreated.
- The municipal market continues to be saturated with cash as fund inflows continued for the 22nd consecutive week adding $1.23 billion.
- S&P Global Ratings revised its outlook on New Jersey general obligation bonds to positive from stable, based partly on the state's appropriation of some surplus revenues for additional pension contributions.
- **Expanded fixed income commentary from Piton can be found using this link.**

U.S. Economic Data/News

- Economic data was overwhelmingly positive last week. The closely watched payrolls report came in well ahead of estimates with employers adding 943,000 jobs in June. This was the best reading since lockdowns were eased in the summer of last year.
- The unemployment rate also fell to a new pandemic low of 5.4% -- more than 10% below the pandemic peak reading of over 18%.
- The Institute for Supply Management's (ISM) Index of July factory activity missed expectations but still showed healthy growth (59.5, with levels over 50 indicating expansion). The week's bigger surprise came from the ISM's service sector index, which jumped to 64.1, well above expectations. This was the largest beat in the history of the index, which dates to 1967.
- Hawkish comments by the Federal Reserve in conjunction with encouraging economic data contributed to higher rates last week.

International Economic Data/News

- Rising new variants have caused several European nations to impose new public health controls. Germany is moving to require all citizens to wear masks on public transportation. In the UK, they are planning on vaccinating teenagers to curb the spread of new variants.
- The Bank of England has indicated that modest tightening of monetary policy is possible if the economy continues to recover in line with expectations. The change in language reflects higher inflation and more robust economic growth.
- Japanese coronavirus cases continue to surge with Tokyo recently reporting over 5,000 new daily infections for the first time ever. In response, the government has expanded its state of emergency across eight more regions.

- China’s growth momentum showed continued signs of slowing. The PMI reading for July demonstrated slowing growth in both the manufacturing and services sectors. A resurgence in COVID-19 cases is likely also hampering the growth recovery.

Odds and Ends

- Up until recently, many companies planned to call workers back to the office after Labor Day but the newly emerging coronavirus variants, such as Delta, have the potential to derail these plans. The swift, startling resurgence of COVID-19 cases and hospitalizations across the U.S. is causing corporate leaders to rip up playbooks for the next few months. Now, many companies that were set to reopen offices in September have pushed their return dates to October or early 2022 in some cases.
- An unusual surge of short-term lending by cash-rich companies is raising concerns on Wall Street that a period of unrest may lie ahead. Investors such as money-market funds and banks are parking over $1 trillion in spare cash overnight at the Federal Reserve. That is the most on record since the Fed opened its facility for these reverse repurchase agreements in 2013. The scale of the moves has some analysts warning that the markets for short-term funding are vulnerable to disruption.
- The northeastern U.S. has a new invader to deal with – invasive bugs. In recent years, fluid migration/trade paired with the effects of climate change have resulted in a wide variety of new bug species that are wreaking havoc on much of the northeastern’ s tree population. Invasive bug or plant species like the southern pine beetle, emerald ash borer and kudzu already cost the U.S. economy $120 billion a year in damage and removal costs, according to the U.S. Department of Agriculture. They choke crops, topple telephone poles, devalue timber and require extraordinary effort to beat back. A body of evidence suggests that the problem here and nationwide is growing worse with few potential remedies in sight.

Resource of the week:

- If you’ve read Michael Lewis’ latest book – *The Premonition: A Pandemic Story* – then you might recognize the name of public health expert, Charity Dean. Charity was a health official in California and among the first Americans to recognize the grave threat posed by COVID-19 due to her unique background and tenacity. In this episode of *Masters In Business*, host Barry Ritholtz discusses Charity’s experience during the pandemic and also her latest endeavor as co-founder of The Public Health Company, which she also leads as CEO.
- Podcast link: https://www.bloomberg.com/news/audio/2021-07-30/charity-dean-on-the-lessons-of-covid-19-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.

The attached materials, URLs, or referenced external websites are created and maintained by a third-party, which is not affiliated with Summit Financial LLC. or its affiliates. The information and opinions found within have not been verified by Summit, nor do we make any representations as to its accuracy and completeness. Summit Financial, LLC, and affiliates are not endorsing these third-party services, or their privacy and security policies, which may differ from ours. We recommend that you review these third-party’s policies and terms.