



SUMMIT FINANCIAL

Summit Snapshot: Week of September 13th, 2021

Periodic Returns

	Trailing Week			Quarter-to-Date			Year-to-Date		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	-2.0%	-1.8%	-1.5%	1.0%	3.6%	6.1%	18.2%	19.1%	19.9%
U.S. Mid-Cap	-2.2%	-2.1%	-1.8%	0.8%	1.9%	3.8%	20.4%	18.5%	14.6%
U.S. Small-Cap	-2.7%	-2.8%	-2.9%	-3.5%	-3.4%	-3.4%	22.3%	13.5%	5.3%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	-1.7%	4.0%	19.9%
NASDAQ Composite	-1.6%	4.3%	17.8%
International Developed	-0.3%	3.7%	12.9%
Emerging Markets	-0.5%	-4.2%	2.9%
U.S. Aggregate Bond	0.0%	0.9%	-0.7%
U.S. Municipals	0.0%	0.4%	1.5%
Corporate High Yield	0.1%	1.2%	4.9%

Source: Morningstar, see 'Disclaimer' for details

U.S. Equity Markets

- Domestic equity markets took a pause from their recent rally and the S&P 500 Index fell just shy of 2% last week.
- Within the S&P 500 Index, the small-sized real estate sector was the largest laggard, falling nearly 4%. Weakness in the sector was in response to rising rates.
- Although still in negative territory, the consumer discretionary sector was the top relative performer, benefitting from strength in Amazon.com and Tesla. Combined, these two stocks account for over a third of the sector.
- Small-caps lagged large caps after two consecutive weeks of relative outperformance.
- Growth stocks were negative but outperformed value stocks week-to-date. Year-to-date, growth has outpaced value within the large-cap portion of the market but not in the mid-cap and small-cap portion.

International Equity Markets

- Both developed and emerging non-U.S. equity markets were negative but outperformed U.S. counterparts last week.
- European equities fell modestly over uncertainty in the economic outlook, central bank policy, and the enduring pandemic.
- Japanese equities were positive last week reflecting political optimism and expectations for additional fiscal stimulus under a new administration.
- Chinese equity markets rose last week for the third time in a row. Strong trade data and signs that diplomatic relationships between the U.S. and China could improve boosted sentiment.

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

- Treasury yields were higher on the week although yields on the front end remain compressed. Focus on the Treasury market remains pinned to the Fed and next steps on tapering.
- Corporate spreads within the investment grade sector were modestly tighter. Investment grade funds recorded \$2.0 billion of inflows relative to \$3.4 billion of inflows over the prior week.
- Primary Issuance post Labor Day week was robust with a flurry of new supply injected into the corporate space. Over 50 companies came to the primary market and borrowing approximately \$70 billion over the shortened trading week.
- Trading in municipal markets was muted this week as yields on 10-year benchmark notes rose slightly.
- Cash continues to flow into the municipal market as asset managers announce plans to launch new active municipal focused ETFs and Sustainable Muni ETFs.
- The August new issue market for municipals topped \$40 billion, although the recent slowdown in tax exempt municipal bonds is a result of growing issuance in taxable municipal bonds
- **Expanded fixed income commentary from Piton can be found using this [link](#).**

U.S. Economic Data/News

- President Biden announced late last week that all large employers must require vaccinations or workers must submit to weekly testing. Vaccinations are also now mandatory for all federal workers and contractors.
- Recent stimulative efforts from President Biden face fresh uncertainty as the federal debt ceiling is quickly approaching. Select moderate Democrats are even calling for scaled back spending levels.
- Treasury Secretary, Janet Yellen chimed in on the matter, arguing that extraordinary measures to avoid breaking the congressionally mandated federal debt ceiling were likely exhausted and that legislators needed to take quick action to avoid further uncertainty.
- Inflation figures keep surprising to the upside. Producer prices came in above consensus and there were further indications of limited slack in the labor market. Weekly jobless claims reached a new pandemic-era low of 310,000.

International Economic Data/News

- European Central Bank (ECB) President, Christine Lagarde, announced that the central bank will begin trimming its emergency bond purchases but was sure to insist it's not tapering rather recalibrating.
- The ECB also raised its 2021 economic growth forecast to 5.0%, up from the prior estimate of 4.6%. At the same time, it increased its inflation expectation from 1.9% to 2.2%.
- Japanese Prime Minister Yoshihide Suga decided to not seek reelection opening the playing field for new Democratic candidates to lay out their platform. New candidates are facing the dilemma on whether to continue reform policies first established under Abe or to further address newly evolving issues, such as wealth inequality.
- Chinese merchandise exports increased by over 25% year-over-year in August while imports rose by around one-third. Chinese trade data continues to improve going against concerns of the impact of renewed lockdowns stemming from the Delta variant.

Odds and Ends

- House Democrats have come to the table with a host of revised tax changes. Among the changes include raising the corporate tax rate to 26.5% from the current 21% and a 3% surcharge on individual income above \$5 million. Other changes include raising the minimum tax on foreign income to 16.5% from 10.5% and increasing the capital gains tax to 28.8% from 23.8%. Last, households earning above \$400,000 for single filers and \$450,000 for married filers would see their top tax bracket increase to 39.6% from 37%. The combination of changes could mean that some taxpayers could face a top marginal federal income-tax rate of 46.4%.
- Elon Musk's SpaceX is aiming to reaffirm its position as a leading space enterprise with a mission this week that seeks to deliver four civilians to orbit for several days and then return them to Earth. The Inspiration4 flight, which could launch as soon as Wednesday, is a more ambitious and technically difficult one than those conducted over the summer by space companies founded by Jeff Bezos and Richard Branson, according to industry executives and consultants. It is the first taking only commercial astronauts, or those flying without government backing, to orbit, SpaceX has said.
- The world's demand for oil will exceed pre-pandemic levels next year, with improving vaccination rates and increasing public confidence in governments' management of COVID-19 spurring a recovery in travel. In its closely watched monthly market report, OPEC raised its forecast for global oil demand for 2022 by just under a million barrels a day to 100.8 million barrels a day, higher than 2019's demand level of 100.3 million barrels. OPEC had previously forecast a return to 2019 demand levels in the second half of next year, but the recent report was the first time the cartel said it expects a return to pre-COVID-19 levels for the full year.

Resource of the week:

- This episode of the *Business Breakdowns* podcast highlights Blackstone – the private equity behemoth managing over \$600 billion in assets focused on alternative investments. The discussion features host, Zack Fuss and Marc Rubinstein who is the author of *Net Interest* and a former hedge fund manager. In this conversation, the pair cover the different ways Blackstone earns money, how that's changing, and what else management has done to make the business more shareholder friendly.
- Podcast link: <https://www.joincolossus.com/episodes/78193485/rubinstein-blackstone-beyond-buyouts?tab=blocks>

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. It 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) captures large- and mid-cap representation across developed markets countries around the world, excluding the U.S. and Canada. The index covers approximately 85% of the free float-adjusted market capitalization in each country. The MSCI Emerging Markets Index captures large- and mid-cap representation across emerging markets countries across the world. The index covers approximately 85% of the free float-adjusted market capitalization in each country. The Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency). 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 Bloomberg Barclays U.S. Corporate High-Yield Index measures the U.S. dollar-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody’s, Fitch, and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded. The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. The ISM Manufacturing Index, also known as the purchasing managers’ index (PMI), is a monthly indicator of U.S. economic activity based on a survey of executives covering all North American Industry Classification System’s businesses in the manufacturing sector. The ISM Non-Manufacturing Index is a monthly indicator of U.S. economic activity based on a survey of executives covering all North American Industry Classification System’s businesses in the services (or non-manufacturing) sector.

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