



SUMMIT FINANCIAL

Summit Snapshot: Week of October 18th, 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% | 2.0% | 2.6% | 3.9% | 4.0% | 4.0% | 20.7% | 19.8% | 18.9% |
| U.S. Mid-Cap | 1.7% | 2.3% | 3.4% | 4.4% | 4.3% | 4.0% | 23.5% | 20.1% | 14.0% |
| U.S. Small-Cap | 1.0% | 1.5% | 1.9% | 3.4% | 2.8% | 2.2% | 27.2% | 15.6% | 5.1% |

| | Trailing Week | Quarter-to-Date | Year-to-Date |
|-------------------------|---------------|-----------------|--------------|
| S&P 500 Index | 1.8% | 3.9% | 20.4% |
| NASDAQ Composite | 2.2% | 3.1% | 16.2% |
| International Developed | 2.4% | 1.9% | 10.4% |
| Emerging Markets | 2.1% | 2.5% | 1.2% |
| U.S. Aggregate Bond | 0.3% | -0.2% | -1.7% |
| U.S. Municipals | 0.1% | -0.1% | 0.7% |
| Corporate High Yield | 0.1% | -0.2% | 4.3% |

Source: Morningstar, see 'Disclaimer' for details

U.S. Equity Markets

- U.S. stocks were positive across the board last week supported by encouraging economic data and positive earnings news.
- Within the S&P 500 Index, the small-sized real estate sector outperformed responding to falling bond yields. The consumer discretionary sector also outperformed benefitting from strong performance from Tesla. The communication services sector lagged and was the only negatively performing sector for the week, dragged down by weak results from legacy media businesses.
- Last week, growth bested valued across all market caps while large-caps beat small-caps, although mid-caps performed the best.
- Year-to-date, large-caps have exceeded small-caps in all but the growth equity segment. Value stocks have recovered some ground in prior weeks and again lead growth stocks across all market caps.

International Equity Markets

- Developed, non-U.S. equities rose in-line with domestic counterparts. Gains were widespread last week with the MSCI EAFE Index and MSCI Emerging Markets Index modestly outperforming the S&P 500 Index, each in U.S. Dollar terms.
- European equities rallied following hopes for the continued economic recovery and positive corporate earnings.
- Japanese equities were also positive over the week after investors gained confidence that the next ruling party's economic policies wouldn't stray too far (for now) from the prior administration.
- Chinese equities were little changed last week ahead of this week's GDP report.

Credit Markets

- The 10-year Treasury yield fell last week, ending the period at ~1.57%. The curve also flattened as investors interpreted new inflation data and Fed policy minutes.
- A flatter curve reflected higher short-term yields based on expectations that the Fed could act more swiftly to combat recent inflation pressures. At the same time, the long end of the curve fell reflecting a more tepid long-term outlook.
- The municipal market generated small gains but underperformed Treasuries by a wide margin. While demand for shorter maturities was robust, longer-term bond buying was subdued.
- The investment-grade corporate bond market fared well as rates fell, issuance volume was light, and secondary trading volume was healthy.
- The corporate high yield sector also did well following equity markets and positive earnings from certain large constituent sectors – such as banks.

U.S. Economic Data/News

- Global oil prices rose to their highest price level in over 3 years last week. Limited supply and heightened demand from many returning to work paired with non-U.S. utilities switching over from natural gas to oil in has contributed to the higher prices
- There's some evidence that supply pressures contributing to inflation could be peaking. This includes recent CPI and producer price figures coming in closer or below expectations. The White House also announced measures to help combat congestion at many ports.
- Recent Federal Reserve policy meeting notes indicate that some officials believe that current economic conditions warrant keeping short-term rates at or near zero for the next several years conflicting other expectations for higher rates sooner.
- The economic impact of the Delta variant might be fading domestically. Weekly jobless claims recently fell to under 300,000, a new pandemic-era low. The government also recently announced eased border controls reflecting the recent drop in cases.

International Economic Data/News

- Europe's industrial production fell in August following supply chain bottlenecks and underwhelming global trade.
- The UK's GDP grew modestly in August reflecting the country's first full month of reopening. Growth was helped as previously shut down areas of the economy, like hospitality, came back online.
- Japan's lower house of parliament dissolved last week preparing for a general election at the end of October. New Prime Minister Fumio Kishida is likely to not veer too far from the policies of the previous administration, alleviating some fears that the capital gain's tax could increase.
- China's energy crisis continued to deepen after powerplants struggled to keep up with energy demand during a cold front. Subsequent demand for coal pushed prices to the highest levels in decades.

Odds and Ends

- Bitcoin ETFs are almost here with ProShares recent filing of plans to launch a strategy this week. Additional cryptocurrency ETFs are expected to follow, allowing investors to more easily access exposure to the space. While the fund management companies don't expect their proposals to be turned down the SEC could approve, disapprove or defer any or all of the applications. If approved, the Funds won't hold actual cryptocurrency, instead, they will deal in futures traded on regulated U.S. exchanges.
- Many market participants are betting that the rally in oil is far from over despite multi-year high prices. Traders are once again betting that U.S. oil will surge above \$100 per barrel as soon as this December. Some traders are even betting for \$200 per barrel WTI by the end of next year. For context, WTI is up 70% this year and hasn't hit \$100 a barrel since the oil crash of 2014.
- The faster growing e-commerce portion of Saks Fifth Avenue is about to go public at around a 3X price relative to its valuation from last year. Saks is reportedly interviewing underwriters now for an IPO over the first half of next year at roughly a \$6 billion valuation. The move comes soon after activist investor, Jana Partners, called for Macy's to spin off its e-commerce business last week.

Resource of the week:

- Matt Brown is the Founder CEO of CAIS, a leading alternative investment platform on which thousands of financial advisors have invested over \$12 billion in alternatives across private equity, private credit, hedge funds, and real estate. This episode of the *Capital Allocators* podcast covers Matt's background as both a financial advisor and distributor of alternatives that collectively led to the idea behind CAIS. Matt discusses the development of a two-sided platform, structural features for both financial advisors and managers and challenges along the way. The conversation then turns to the wave of capital coming from this community and what it means for investors. Lastly, they discuss Matt's perspective on leadership and the future of CAIS.
- Podcast link: <https://capitalallocators.com/podcast/democratization-of-alternatives-at-cais/>

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 MSCI Europe Index captures large- and mid-cap representation across developed markets countries in Europe. The index covers approximately 85% of the free float-adjusted market capitalization across the European developed markets equity universe. The MSCI China Index captures large- and mid-cap representation across China A shares, H shares, Red chips, P chips and foreign listings. The index covers about 85% of the China equity universe. The Nikkei 225 Index is a stock market index for the Tokyo Stock Exchange which is price-weighted operating in Japanese Yen. The index measures the performance of 225 large, publicly owned companies in Japan from different industry sectors. 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 Caixin China General Services PMI (Purchasing Managers’ Index) is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 private service sector companies. The index tracks variables such as sales, employment, inventories, and prices. A reading above 50 indicates that the services sector is generally expanding; below 50 indicates that it is generally declining.

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