



SUMMIT FINANCIAL

Summit Snapshot: Week of October 25th, 2021

Periodic Returns

	Trailing Week			Quarter-to-Date			Year-to-Date		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	1.6%	1.7%	1.8%	5.5%	5.7%	5.9%	22.6%	21.8%	21.1%
U.S. Mid-Cap	1.8%	2.0%	2.4%	6.3%	6.4%	6.5%	25.7%	22.5%	16.7%
U.S. Small-Cap	1.0%	1.1%	1.3%	4.5%	4.0%	3.5%	28.4%	16.9%	6.4%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	1.7%	5.6%	22.4%
NASDAQ Composite	1.3%	4.5%	17.7%
International Developed	0.6%	2.6%	11.1%
Emerging Markets	0.7%	3.2%	2.0%
U.S. Aggregate Bond	-0.4%	-0.5%	-2.1%
U.S. Municipals	-0.3%	-0.4%	0.4%
Corporate High Yield	-0.1%	-0.3%	4.3%

Source: Morningstar, see 'Disclaimer' for details

U.S. Equity Markets

- U.S. stocks had another positive week pushing major indexes to new record highs backed by numerous upwards earnings surprises.
- Encouraging market sentiment has pushed the Cboe Volatility Index (VIX) to its lowest level since the start of the pandemic.
- Within the S&P 500 Index, the real estate, healthcare, and financial sectors were the top performers. The communication services sector was the biggest laggard and ended the week in negative territory. The sector performed strongly up until Friday when disappointing results from Snap Inc. brought down many major social media stocks.
- Growth stocks generally bested value names while large-caps outperformed small-caps for the week. Year-to-date, value names retained a lead over growth stocks while large-caps were ahead of small-caps stocks except in the value space.
- Analysts polled by FactSet are expecting S&P 500 Index third-quarter earnings to have risen by one-third relative to the prior year. The percentage of companies beating revenue estimates so far this quarter is near record levels.

International Equity Markets

- Developed and emerging non-U.S. equities rose over the week but lagged large-cap U.S. stocks in USD terms. Both markets are meaningfully lagging U.S. markets so far this year.
- European equities rose on enthusiasm for positive earnings, following U.S. markets.
- Japanese equities fell last week based on uncertainty surrounding the impending general election.
- Chinese stocks advanced during the week following efforts from officials to calm fears about distress in the local property market.

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

- U.S. Treasury yields were higher on the week, ending the period at 1.63% versus 1.57% at the close of last week.
- The inflation outlook remains at the center for investors, with bond traders' expectations for inflation topping 3% over 5 years for the first time on record according to a report out from Bloomberg.
- Investment grade and high yield funds recorded \$3.84 billion and \$2.3 billion of inflows last week, respectively. Notably, this was the largest weekly inflow for high yield since April.
- The week's volume was driven primarily by major banks that reported better than expected earnings. Goldman Sachs came to market with a \$9 billion bond deal making up almost half of the weekly projection. The deal was \$3 billion more than what the company issued in April.
- Tax-exempt yields rose as much as 7 basis points (0.07%) as expectations of a Fed rate hike next year were priced in.
- Municipal funds added \$177 million for the week - the 33rd consecutive week of inflows.
- State and local governments are expected to issue nearly \$7 billion this week. Notable deals include Dallas Fort Worth International Airport at \$1.01 billion and Los Angeles Unified School District at \$543 million.
- **Expanded fixed income commentary from Piton can be found using this [link](#)**

U.S. Economic Data/News

- Washington remains divided on support for additional stimulus. Senate Democrats continued negotiating the size of the proposed infrastructure bill. It is possible that several notable elements of the slated tax increases could be scrapped.
- Last week's economic releases were mixed. Housing starts and new permits were well below expectations while existing home sales rose to their highest level since the start of the year.
- Industrial production fell modestly in September, although it may have been impacted by the impact of Hurricane Ida and supply chain disruptions.
- Weekly and continuing jobless claims fell more than anticipated to new pandemic-era lows.

International Economic Data/News

- Eurozone business activity fell for the third month in a row in October. The main culprit was supply chain and other coronavirus-related disruptions.
- The Eurozone PMI Composite Output Index fell to 54.3 from 56.2 last month. Notably, activity in the manufacturing and services sectors slowed but remained in expansion territory.
- UK inflation fell to 3.1% in September compared to a year earlier. Despite the small decline, the figure is still above the Bank of England's 2% target, and many expect the inflation rate to rise higher before stabilizing down the road.
- In Japan, the ruling Liberal Democratic Party was well ahead in the polls. If elected, the ruling party is expected to introduce further stimulus which caused the yen to trade to its lowest level in four years relative to the USD.
- Chinese credit agencies downgraded several property developers based on fears of a liquidity crunch paired with slower growth. President Xi is also still pushing for a nationwide property tax to further curb speculation in the housing market.

Odds and Ends

- Hertz said it has ordered 100,000 Teslas by the end of 2022, a move aimed at including more electric vehicles in its rental car fleet. The company said that starting in early November and expanding through the end of the year, Hertz customers will be able to rent a Tesla Model 3 at airports and other locations in major U.S. markets and some cities in Europe. Electric vehicles will comprise more than 20% of the company's global fleet with the current order, Hertz said Monday. The rental-car company said it introduced electric vehicles into its fleet in 2011.
- U.S. payments giant PayPal said it isn't currently pursuing a deal for social-media platform Pinterest days after media reports that the companies were in early talks for a multibillion-dollar deal. In a one-sentence statement dated Sunday on its website, PayPal said that "in response to market rumors regarding a potential acquisition of Pinterest by PayPal," the company "is not pursuing an acquisition of Pinterest at this time."
- A new annual tax on billionaires' unrealized capital gains is likely to be included to help pay for the vast social policy and climate package lawmakers hope to finalize this week, senior Democrats said Sunday. The proposal under consideration from Senate Finance Committee Chairman Ron Wyden would impose an annual tax on unrealized capital gains on liquid assets held by billionaires. The tax is expected to affect people with \$1 billion in assets or \$100 million in income for three consecutive years, according to a person familiar with the discussions.

Resource of the week:

- In the field of biotech, it can take 10 years and millions of dollars to see if an experimental idea might turn into a life-saving treatment—if it ever does. Noubar Afeyan fully understood those risks when he co-founded Moderna in 2010. He and his colleagues were looking for a way to deploy the messenger RNA molecule to tackle life-threatening diseases. In January of 2020, an urgent opportunity presented itself in the form of a deadly virus that was spreading across the globe. At a breathtaking pace, Moderna produced a prototype for a COVID-19 vaccine, partnered with the NIH to test it, and produced millions of doses, becoming part of the most rapid vaccine roll-out in human history. While Moderna is the best known of Noubar's companies, he has launched many others in the biotech space as part of Flagship Pioneering, his multi-billion dollar venture studio. Give this episode of *How I Built This* to hear Noubar and Moderna's fascinating story.
- Podcast link: https://www.npr.org/2021/10/08/1044644976/moderna-and-flagship-pioneering-noubar-afeyan?utm_source=Reading+List&utm_campaign=e3ac4df6b2-EMAIL_CAMPAIGN_9_13_2020_12_27_COPY_01&utm_medium=email&utm_term=0_325454c9ab-e3ac4df6b2-513708349

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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