

Summit Snapshot: Week of November 1st, 2021

Periodic Returns

| | Trailing Week | | | Quarter-to-Date | | | Year-to-Date | | |
|----------------|---------------|-------|--------|-----------------|-------|--------|--------------|-------|--------|
| | Value | Blend | Growth | Value | Blend | Growth | Value | Blend | Growth |
| U.S. Large-Cap | -0.4% | 1.1% | 2.6% | 5.1% | 6.9% | 8.7% | 22.0% | 23.2% | 24.2% |
| U.S. Mid-Cap | -0.9% | -0.4% | 0.5% | 5.3% | 5.9% | 7.0% | 24.5% | 22.0% | 17.3% |
| U.S. Small-Cap | -0.6% | 0.3% | 1.1% | 3.8% | 4.3% | 4.7% | 27.6% | 17.2% | 7.6% |

| | Trailing Week | Quarter-to-Date | Year-to-Date |
|-------------------------|---------------|-----------------|--------------|
| S&P 500 Index | 1.3% | 7.0% | 24.0% |
| NASDAQ Composite | 2.7% | 7.3% | 20.9% |
| International Developed | -0.1% | 2.5% | 11.0% |
| Emerging Markets | -2.2% | 1.0% | -0.3% |
| U.S. Aggregate Bond | 0.5% | 0.0% | -1.6% |
| U.S. Municipals | 0.1% | -0.3% | 0.5% |
| Corporate High Yield | 0.1% | -0.2% | 4.4% |

Source: Morningstar, see 'Disclaimer' for details

U.S. Equity Markets

- Most U.S. stocks ended the week on a positive note aside from some deep value names. The week was also saw many technology firms report third-quarter earnings results.
- Notable stocks to mention include Tesla (TSLA) which spiked more than 20% after Hertz announced it was ordering 100,000 new electric vehicles intended to be in use by the end of the year. Apple (AAPL) said they expected a dampened holiday sales season due to ongoing supply chain disruptions. Finally, Amazon (AMZN) released lower-than-expected third-quarter sales and hinted that a tight labor market and from supply-chain woes could hinder their fourth-quarter numbers.
- Within the S&P 500 Index, consumer discretionary excelled and rose more than 4% given the outperformance of Tesla. Financials and energy stocks fell almost 1% after the decline in interest rates and drop in oil prices.
- Growth stocks handily beat value given the outperformance of growth stocks Microsoft and Nvidia which rose more than 7% and 12% respectively. Large-cap stocks also beat small-caps last week.

International Equity Markets

- Both developed and emerging non-U.S. equities lagged although emerging fell by a larger magnitude than developed in USD terms.
- European and Japanese stocks were supported by mostly solid local firms' earnings reports which softened any lingering inflation concerns. Local equity prices didn't change much week-over-week.
- Chinese stocks fell given the continued property sector concerns. The sector accounts for one-third of the nation's economic output and has been under tremendous stress lately due to credit downgrades, defaults, and even some firms being forced to reduce their amount of leverage.

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

- U.S. Treasury yields were down on the week with the 10-year remaining range bound, closing at 1.56% during the final session of the month. This is about 8 bps lower compared to the week prior.
- The Treasury curve has seen substantial flattening as yields have risen throughout the year, with 2s10s tighter by six bps on the week.
- Investment grade and high yield fund flows diverged last week. IG recorded \$1.1 billion of outflows to contrast last week's strong inflows. HY reported \$1.2 billion of inflows for the second consecutive week of positive momentum.
- Corporate bonds primary issuance levels in October exceeded the top end of the range estimate. Weekly supply finished better than projected due to \$4 billion in bonds issued by Citigroup.
- Tax exempt municipals were mixed over the week with shorter maturities up to 4 bps higher and longer maturities 3-4 bps lower, flattening with Treasuries.
- Municipal funds added \$397 million for the week ending Wednesday, up from \$177 million last week. Most flows were in long- and intermediate-term notes.
- **Expanded fixed income commentary from Piton can be found using this [link](#).**

U.S. Economic Data/News

- The latest infrastructure bill was up for discussion last week, as President Biden sought out support from West Virginia Senator Joe Manchin, considered a key swing vote. Biden also revealed the framework of the \$1.85 trillion bill which includes funding in many areas. These include enhanced healthcare services, \$555 billion in climate-related provisions, and federally funded preschool for all three- and four-year old kids in the U.S. Other areas are included too, although it is unclear if most Democrats will be supportive as the week came to an end.
- On Thursday, the Commerce Department reported that the economy grew at an annualized rate of 2.0% in the third quarter, less than estimates and last quarter's 6.7% increase. Slowing auto sales and decreased spending on food and hospitality were to blame. Surprisingly, pending home sales also fell although initial weekly jobless claims fell to a pandemic-era low of 281,000.
- The personal-consumption-expenditures price index, also known as the Fed's preferred inflation gauge, rose 4.4% in September from one year ago, the largest increase in 30 years. Month over month it was up 0.3%. Excluding food and energy, the "core" index was up 3.6% over the past twelve months. Similarly, employees' wages and benefits rose 1.3% in the third quarter compared to the second. This is the fastest rate of increase in 20 years according to the Labor Department.

International Economic Data/News

- The European Union estimated the eurozone economy grew 2.2% in the third quarter, slightly above the second quarter's growth of 2.1% and above estimates near 2.0% according to FactSet. France and Italy both were catalysts for the strong quarterly growth. On the flipside, the headline eurozone inflation rate was estimated at 4.1% in October, its highest level in 13 years and well above expectations. Higher energy costs were a major contributor.
- Coming as no surprise, the Bank of Japan kept interest rates unchanged at its October monetary policy meeting. The Bank does not plan on normalizing rates any time soon given the Japanese velocity of money is considerably less than in other nations. It also lowered its forecast for consumer price inflation to 0.0% in the 2021 fiscal year, down from 0.6% estimated in July.
- Property development firm China Evergrande paid a delayed coupon on Friday, avoiding a near-imminent default for the time being. The company has more than \$300 billion in debt, and about \$338 million in coupon payments coming due in November and December. Not too surprising, Fitch and S&P Global lowered their credit ratings on several Chinese developers given the liquidity concerns and slowing sales in the property sector.

Authored by the Summit Financial Investment Team

Odds and Ends

- Social media giant Facebook (FB) announced on Thursday it is formally becoming Meta Platforms Inc. Billionaire founder and CEO Mark Zuckerberg said the change embodies the metaverse company Facebook will transform into in the future. Zuckerberg said he believes the metaverse will be the successor to the mobile internet, and collectively known as a place where you can socialize, work, play and buy with privacy and safety built in from day one. Facebook stock will begin trading as ticker MVRB on December 1st. Skeptics think the timing is convenient to say the least, given the firm's historical controversies ranging from the Cambridge Analytica scandal in 2018 to a more recent story caused by the leaking of thousands of Facebook internal documents.
- Rideshare companies Uber and Lyft are still charging a premium for their services compared to their pre-pandemic costs. It was widely expected that most of the companies' drivers would return to work after the federal unemployment benefits expired in September. However, that is happening much slower than anticipated which translates to another instance of labor supply shortage and higher fares passed through to passengers. Both firms say ride prices are directly tied to driver supply. Also, those drivers who are working are earning more than they were before the widespread availability of vaccines.
- Game 3 of the World Series between the Atlanta Braves and the Houston Astros stirred up a controversy for what was long called "America's pastime". Braves pitcher Ian Anderson was pitching a no-hitter through five innings, with only 76 pitches thrown. Then, to the surprise of many, Braves manager Brian Snitker took him out of the game since the data told him it was the right move based on statistical analysis. Atlanta wound up winning the pivotal game 3, but many fans were deprived of the potential opportunity to see the second no-hitter in World Series history. Baseball analytics are playing a larger part in today's game than they were decades ago, which doesn't sit well with baseball enthusiasts. It remains to be seen how the sport may evolve.

Resource of the week:

- With more investors seeking out financial advice than ever before, RIAs are in a position to capitalize on an evolving mix of investing, planning and technology developments that can create long-term business growth. In this episode of RIA Edge, Mark Bruno, managing director at Informa Wealth Management, speaks with Stan Gregor, CEO of Summit Financial. Stan shares details on Summit's growth trajectory in recent years – while offering advice on how other firms can create scalable, repeatable growth strategies and transform their practices into truly unique advice platforms. Give this episode a listen to hear valuable industry insight from Summit's own Stan Gregor.
- Podcast link: <https://www.wealthmanagement.com/business-planning/ria-edge-strategic-ria-growth-stan-gregor>

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

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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.

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. 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.

Authored by the Summit Financial Investment Team