

Summit Snapshot: Week of November 8th, 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%	2.4%	6.5%	9.0%	11.3%	23.7%	25.6%	27.2%
U.S. Mid-Cap	2.4%	2.0%	1.3%	7.8%	8.0%	8.4%	27.5%	24.4%	18.9%
U.S. Small-Cap	6.2%	6.1%	6.0%	10.3%	10.6%	11.0%	35.6%	24.4%	14.1%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	2.0%	9.2%	26.6%
NASDAQ Composite	3.1%	10.6%	24.6%
International Developed	1.6%	4.1%	12.8%
Emerging Markets	0.0%	0.9%	-0.3%
U.S. Aggregate Bond	0.6%	0.6%	-0.9%
U.S. Municipals	0.5%	0.2%	1.0%
Corporate High Yield	0.6%	0.4%	5.0%

Source: Morningstar, see 'Disclaimer' for details

U.S. Equity Markets

- U.S. equities had a strong week following somewhat dovish statements from the Federal Reserve (Fed) paired with encouraging economic data.
- Several major U.S. large-cap equity benchmarks, including the Dow Jones, the S&P 500 Index, and the Nasdaq Composite hit fresh all-time highs.
- Within the S&P 500 Index, consumer discretionary and IT stocks were the top performers. A fall in rates and regulatory concerns weighed on the financial and healthcare sectors, respectively.
- Growth outpaced value in large-caps but lagged in small- and mid-caps. Small-caps had a strong week, outpacing large-caps.
- Third-quarter earnings season finished on a strong note with many companies demonstrating strong profit margins despite rising input costs.
- Year-to-date, domestic equity returns have been robust across the board with the S&P 500 Index up just shy of 27%.

International Equity Markets

- Developed international equities also rose over the week while emerging market equities were roughly flat. Emerging market equities have barely budged year-to-date while many other global equity markets rose by double-digits.
- European equities were higher last week benefitting from strong earnings and ECB signaling that rates were likely to remain low in the near term.
- Japanese equities posted positive returns lifted by the victory of PM Fumio Kishida's ruling Liberal Democratic Party.

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

- Treasury yields were down on the week and the curve flatter on Fed expectations.
- The 10-year yield dropped below 1.50% for the first time since October, while the 30-year bond yield fell 0.065% to 1.89% for the first time since September.
- Last week, The Fed announced it would begin tapering asset purchases, with the timing and pace still heavily tied to the economic recovery.
- The U.S. Treasury also announced cuts to supply, with the 10-year note and 30-year bond both reduced by \$2 billion apiece in the next auction cycle.
- Benchmark yields continue to flatten with the front end mostly unchanged and longer term yields up to 0.10% lower.
- With municipal provisions removed from the latest Build Back Better package, sensitivity to Fed actions will continue to drive performance for the remainder of the year.
- Municipal funds saw inflows of \$603 million for the 35th consecutive week.
- **Expanded fixed income commentary from Piton can be found using this [link](#).**

U.S. Economic Data/News

- The Fed announced that it will slow its monthly bond purchases at last week's policy meeting – potentially paving the way for future rate hikes. Notably, the lack of specificity around the pace of the slowing of bond purchases gives the Fed flexibility if conditions were to change.
- So far, the Fed indicated that it would need to see inflation metrics moderate before raising rates to help avoid adverse consequences. This statement seemed to be interpreted as dovish by the market, which helped push equities higher.
- Economic data continued to be strong. Factory orders rose more than expected in September and October's job report showed that more jobs were added relative to consensus estimates. The unemployment rate also fell to 4.6%, a far cry from the double-digit figures more immediately following the pandemic.

International Economic Data/News

- The Eurozone has recently been grappling with a resurgence of the coronavirus likely attributable to low vaccination rates in certain areas of the region paired with relaxed restrictions.
- ECB President, Christine Lagarde recently clarified her messaging on monetary policy announcing that interest rate hikes next year are very unlikely and would only occur were conditions to remain favorable.
- In Japan, the ruling Liberal Democratic Party fared much better than expected in the recent general election. The party retained a majority control in the influential lower house of parliament. Attention will likely now turn to the large stimulus package that PM Kishida is likely to draw up. The Bank of Japan is also not likely to follow the U.S. in removing easing efforts at the current time.
- There were continued concerns about the Chinese property sector after another large developer, Kaisa Group, announced it was having debt issues. The company reportedly is looking to sell 18 properties to help fund impending interest payments.

Odds and Ends

- Never shy from controversy, Elon Musk on Saturday said he would sell 10% of his stockholdings in Tesla if the move won backing in a Twitter poll, reinjecting himself into the debate over how some of the wealthiest Americans should be taxed. Musk is now considered the world's richest person

Authored by the Summit Financial Investment Team

after a surge in the value of his Tesla stock, and previously blasted a proposed tax on billionaires that would have subjected some holdings of about 700 Americans to annual capital-gains taxes on increases in value. Tesla's stock slid Monday morning after the results suggested that Musk would be selling a 10th of his stock.

- One of the largest selloffs ever seen in international Chinese high yield bonds has translated to wiping out around a third of bondholder's value in just six months. The rapid decline is largely in response to the recent distress in the local property market, which accounts for the majority of high yield issuance. At the end of last week, the yield on Chinese high yield bonds topped 25% for the first time since March 2009, near the peak of the Global Financial Crisis.
- A rally in cryptocurrencies lifted two of the largest digital assets into record territory, with Ether notching all-time highs Monday as Bitcoin pushed to record levels. A steady rally in Ether, the coin that underpins the Ethereum blockchain network, pushed it to a new record in late October, topping the previous all-time highs set in May, with Ether notching its latest record on November 3rd.

Resource of the week:

- Roelof Botha is a partner at one of the world's oldest and most successful venture firms, Sequoia Capital. A few days before this conversation was recorded, he announced Sequoia's boldest innovation since the firm was founded by Don Valentine in the early 1970s. Going forward, the firm will break from the traditional VC mold of fund cycles and instead, restructure around a single open-ended permanent structure named the Sequoia Fund. In this conversation, Patrick from *Invest Like the Best* and Roelof first discuss the details of this change from all different angles and then dive into Roelof's career. They talk about what's changed over the past 20 years, his days at PayPal, what legendary investors he's worked with have had in common, and what he's learned from being involved in businesses like Square, YouTube and Udemy. Please enjoy this conversation with Roelof Botha.
- Podcast link: <https://www.joincolossus.com/episodes/66371765/botha-sequoias-crucible-moment?tab=blocks>

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

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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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