Summit Snapshot: Week of November 15th, 2021

Periodic Returns

	Trailing Week			Quarter-to-Date			Year-to-Date		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	0.1%	-0.2%	-0.5%	6.6%	8.8%	10.7%	23.9%	25.3%	26.6%
U.S. Mid-Cap	0.2%	0.4%	0.7%	8.0%	8.5%	9.2%	27.7%	24.9%	19.7%
U.S. Small-Cap	-0.9%	-1.0%	-1.1%	9.3%	9.5%	9.8%	34.3%	23.1%	12.9%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	-0.3%	8.9%	26.2%
NASDAQ Composite	-0.7%	9.8%	23.7%
International Developed	-0.3%	3.8%	12.4%
Emerging Markets	1.7%	2.7%	1.4%
U.S. Aggregate Bond	-0.8%	-0.1%	-1.7%
U.S. Municipals	0.2%	0.3%	1.1%
Corporate High Yield	-0.3%	0.2%	4.7%

Source: Morningstar, see 'Disclaimer' for details

U.S. Equity Markets

- Domestic stocks reached record highs intraweek, but ultimately declined week-over-week. Investors were spooked by the highest inflation level reading in three decades.
- Within the S&P 500 Index, the small materials sector's stocks outperformed and was likely boosted from the recently passed $1.2 trillion infrastructure bill. On the other hand, consumer discretionary stocks fell more than 3% after a plummet in Tesla's share price. Juggernaut CEO Elon Musk offloaded around $6.9 billion worth of Tesla stock last week, inciting broad concerns.
- Some stocks worth mentioning from last week are electric vehicle manufacturer Rivian Automotive (RIVN) which was listed its IPO on Wednesday. By week's end it's share price was 66% higher than its initial price instantly making it a chief rival company for Tesla, and more valuable than Ford. Johnson & Johnson (JNJ) is planning to split into two publicly traded companies based on products developed and sold. The consumer-products division, responsible for Tylenol, Band-Aids and Neutrogena will separate from the high-margin prescription-drug and medical-device business. The split may take years to be completed.
- Value stocks minimally led growth stocks for the week, while the sometimes-overlooked mid-cap stocks beat out large- and small-caps.

International Equity Markets

- Emerging market equities did well last week, up a little under 2% to boost the nearly flat year-to-date return. However, like U.S. stocks, developed market non-U.S. equities also marginally fell.
- European stocks benefited from strong corporate earnings and economic growth outlooks but were offset by reignited inflation concerns. Similarly, Japanese stocks received a slight tailwind given the perception they are undervalued versus the U.S. Both regions' MSCI indices fell a few bps in USD terms.
- Chinese equities rose following beliefs that Beijing would soon announce accommodative policies to assist indebted property companies in avoiding defaults. The MSCI China Index rose 3.5% in USD terms.

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

- Treasury yields have moved higher on the week following the recent inflation headlines and the impact that this may have on the Fed path for interest rate hikes. The 10-year note ended around 1.58%.
- According to Friday's University of Michigan sentiment data, Americans are more pessimistic about the economy over the next five years as this reading fell to lows last seen in 2011.
- Yields on the five-year note increased 20 bps this week to 1.22%, as the 5s30s curve moved to the narrowest since March 2020.
- The U.S. Dollar IG All Sector OAS widened last week by 16 bps thus investment grade corporate bonds fell.
- Investment grade and high yield corporate funds both recorded around $2.5 billion of inflows last week, well above their asset flow amounts from the week prior.
- Benchmark tax exempt yields diverged from Treasuries flattening 1-5 bps as technical factors drove ratios to richer levels.
- Municipal funds saw an uptick in inflows adding $1.9 billion for the week ended Wednesday, the 36th consecutive gain. High yield municipal funds grew by $1.2 billion, the second largest week on record.
- **Expanded fixed income commentary from Piton can be found using this link.**

U.S. Economic Data/News

- On Wednesday morning, the Labor Department reported the monthly consumer price index (CPI) jumped 0.9% in October, and 6.2% year-over-year which is the largest annual increase since 1990. Surging energy prices were largely to blame but the spike was broad based.
- The economic front remained murky as weekly jobless claims hit a new pandemic-era low of 267,000. Contrasting this positivity, the Labor Department reported there were still 10.4 million job vacancies in September which is a slight decline from August but still above expectations.
- Furthermore according to this WSJ article, a record 11.2 million job openings were in existence on November 5th from jobs site Indeed. A leading reason for this extended job market vacancy seems to be focused on the quits rate, or a measure of workers willingly leaving their jobs. In September, a record 4.4 million people voluntarily left their jobs. The National Retail Federation anticipates that retail companies will hire between 500,000 and 665,000 seasonal workers for the upcoming holiday season expecting strong sales figures compared with the 468,000 hired in 2020.

International Economic Data/News

- European efforts to thwart coronavirus outbreaks were reintroduced. The Netherlands is considering enforcing short, partial lockdowns and has already announced renewed mask requirements. Denmark reinstated proof-of-vaccination requirements to access some indoor spaces. Italy, already implementing several safety measures, recently announced booster vaccines to anyone over 40 years of age.
- The U.K. economic growth rate tallied in at 1.3% for the three months ended September 30th. This is considerably lower than the 5.5% reported in the second quarter and below expectations of 1.5% by the Bank of England. However, the monthly growth rate in September was 0.6% due to increased levels of health care, higher than 0.2% reported in August.
- Recently appointed Prime Minister Fumio Kishida is actively working on the latest fiscal stimulus to jumpstart the Japanese economy. In total, his plan calls for ¥30 trillion (equal to about $265 billion) in additional funding. Included in it are ¥100,000 ($880) provided to each child 18 years of age or younger, and a restart of the Go To Travel subsidy program to spark an increase in tourism revenue. Also, wage hikes for care workers, nursery school staff, and nurses are being considered.
- China's producer price index rose to a 26-year high of 13.5% in October on a rolling 12-month basis, higher than the 10.7% increase reported through September. Despite this, stagflation concerns are minimal since China can export inflation in a sense given strong external demand for products.

Summit Financial, LLC | 4 Campus Dr | Parsippany, NJ 07054 | (973)-285-3600 | summitfinancial.com

Odds and Ends

- The Trump's family hotel company is in contracts to sell the rights of the esteemed Trump International Hotel in Washington D.C. hotel for $375 million to CGI Merchant Group, a Miami-based investment firm. The hotel is just a short walk away from the White House. If the deal is completed (expected to in the first quarter of 2022), CGI intends to have the hotel rebranded and managed by Hilton's Waldorf Astoria group. The Trump family beat out worthy competition in 2012 for the rights to the hotel's lease, including Marriott International and Hilton. The hotel also claims it currently offers some of the largest guest rooms in the nation's capital.
- The multinational aerospace company Airbus SE, headquartered in Europe, has said it simply can't increase production of its popular single-aisle jet fast enough to meet consumers' demand. It also forecasts delivery constraints for another three years due to production capacity bottlenecks. So far this year, Boeing is outselling Airbus since the grounding of Boeing's 737 MAX, the main rival to the Airbus's A320 plane. Airbus plans to increase its production to roughly 65 planes per month by 2023 and hopes to increase that to 75 planes per month by 2025.
- As businesses worldwide are experiencing product shortages, some supermarkets have redesigned their product layouts in efforts to avoid empty, unappealing shelves facing consumers. In the U.K., 17% of consumers said they couldn't purchase select food items because they were out of stock between September 22nd and October 3rd according to the Office of National Statistics. Also in a separate survey, 58% of New York consumers said supply-chain disruptions, product shortages, and shipping delays have made shopping more stressful than in the past. Retailers are steadfast to prioritize their overall customer experience to remain competitive.

Resource of the week:

- Impact investing has experienced a tremendous rise in popularity and asset flows over the past few years, even more so in 2021. This episode of *Millennial Investing* features a conversation between Zachary Conway and Adrian Grenier. Zach is the founder and CEO of Seeds Investor, founded in 2018 to help financial advisors deliver values-based investing portfolios to investors looking to align with their personal values. Adrian is an acclaimed actor in many noteworthy movies and television shows including "Entourage", "Click Bait", and "The Devil Wears Prada". He is also the co-founder of DuContra Ventures, which seeks to blend impact investing with transformative experiences and personal development. The two speak to their successful collaboration, what impact investing is and why it's important, and how they both ensure their goals are aligned with their partnership and companies. Have a listen to hear more points from this interesting conversation.

- Podcast link: https://www.theinvestorspodcast.com/millennial-investing/impact-investing/

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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