Summit Snapshot: Week of November 29th, 2021

Periodic Returns

	Trailing Week			Quarter-to-Date			Year-to-Date		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	-1.2%	-2.3%	-3.3%	3.4%	6.3%	9.1%	20.1%	22.5%	24.6%
U.S. Mid-Cap	-2.0%	-2.5%	-3.5%	4.5%	4.3%	4.1%	23.5%	20.2%	14.1%
U.S. Small-Cap	-3.3%	-4.1%	-4.9%	2.9%	2.0%	1.2%	26.5%	14.7%	4.0%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	-2.2%	6.9%	23.9%
NASDAQ Composite	-3.5%	7.3%	20.9%
International Developed	-3.7%	-0.9%	7.4%
Emerging Markets	-3.6%	-2.3%	-3.5%
U.S. Aggregate Bond	0.1%	0.1%	-1.5%
U.S. Municipals	0.1%	0.4%	1.2%
Corporate High Yield	-1.2%	-1.4%	3.1%

Source: Morningstar, see 'Disclaimer' for details

U.S. Equity Markets

- Domestic stocks fell during the holiday-shortened week after news emerged early Friday of a new, potentially more contagious coronavirus variant coined Omicron was discovered in South Africa. It was the worst Black Friday session on record for the Dow Jones, Nasdaq Composite, and S&P 500 indices.
- Some stocks worth noting from last week are American Airlines Group (AAL) which plummeted on Friday like other airline stocks due to the worry Omicron could lead to renewed travel bans. Some large retailers like Target (TGT) and Walmart (WMT) kept their physical locations closed for another year on Thanksgiving to boost customer retention and show their appreciation to loyal employees. Zoom Video Communications (ZM) reported a depressed quarterly sales growth figure as more people have returned to work. It also faces increased competition from a large player, Microsoft Corp's Teams application.
- Within the S&P 500 Index, the lone positive sector was energy after oil prices rose following a sequence of events to increase oil supply by President Biden resulted in OPEC's response to reduce production. Other sectors declined with consumer discretionary and technology stocks down more than 3%.
- In a relative sense, large-cap stocks beat small-caps and value led growth although all areas declined.

International Equity Markets

- Like their U.S. counterparts, both developed and emerging non-U.S. equity markets declined last week by more than 3.6% in USD-terms.
- European and Japanese stock indices fell sharply amidst fears new coronavirus-related restrictions may be imposed to control the spread of future variants. Despite Japan arguably handing the pandemic well compared to other nations, the MSCI Japan Index has only returned a positive 3.3% for the year thus far.
- Chinese equity markets also weakened given the new variant news and heightened trade tensions. The U.S. Commerce Department blacklisted a dozen Chinese companies which it said supported the Chinese military People's Liberation Army. China then stated it will defend Taiwan's policies at all costs.

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

Credit Markets

- Treasuries rose week-over-week as bond yields declined given investors' flight to safe-haven assets. The 10-year U.S. Treasury note fell to 1.484% on Friday from 1.644% at Wednesday's close. This marks the largest single day decline since March 2020.
- Separately, federal funds futures, a proxy for market expectations of interest-rate changes, shifted lower on Friday. This implies the market anticipates that the Federal Reserve may keep interest rates lower for longer than previously expected. According to this WSJ article, on Friday investors expected the federal funds interest rate to be about 0.89% by May 2023, nearly 20 bps lower than was expected on Thursday.
- Municipal bond funds once again experienced positive inflows, the 38th consecutive week. However, there was very light deal activity during the holiday-shortened week.
- Reintroduced last year for the first time since 1986, the 20-year bond has had an interesting ride. If bond yields behave as expected, investors should be compensated more for holding longer-term bonds as compared to shorter-term bonds. However, since approximately February of this year, the 20-year bond has paid a marginally higher yield than the 30-year, currently the government's longest-maturity debt. Reasons to rationalize this are plenty, but reduced liquidity and less popularity for the 20-year note may be to blame. If the central bank raises interest rates next year, short-term bonds may likely become less attractive, boosting demand for the longer-term 20- and 30-year issues.

U.S. Economic Data/News

- After President Biden formally announced his plans to renominate Jerome Powell as Federal Reserve Chairman, future monetary policy plans became the focus. Minutes from the November Federal Open Market Committee meeting released last week indicated some policymakers advocated for a quicker asset purchase tapering than previously thought. Before Friday's Omicron news, the speedy tapering expectations helped to push Treasury yields higher.
- To further elaborate on the oil situation, President Biden formally announced the U.S. will make more reserves available from the Strategic Petroleum Reserve to pressure gasoline prices lower. However, the plan somewhat backfired since the market assumed the Organization of the Petroleum Exporting Countries and Russia (OPEC+) will simply reduce production output to offset Biden's move. Clouding these events, the price of West Texas Intermediate crude oil plunged more than 10% on Friday fearing the new variant may result in travel restrictions once again.
- In other economic news initial jobless claims fell to 199,000 last week, the lowest level since November 1969. Second-quarter GDP growth was revised slightly higher to 2.1%. Also, orders for durable goods fell by 0.5% which was worse than expectations for a 0.2% gain.

International Economic Data/News

- Several countries worldwide including the U.K. banned travel from South Africa and its neighboring nations to contain the new strain of coronavirus. Most countries, aside from the Netherlands and Austria to start, did not impose new lockdowns and some even made vaccine boosters available to all adults.
- The Eurozone purchasing managers' indices unexpectedly rose in November. Nonetheless, the average reading of the main index over the past two months was lower than in the third quarter, indicative the economic recovery is slowing. Further optimism was muted due to virus and inflation-related fears.
- The Japan Composite PMI rose to 52.5 in November, a 37-month high, from 50.7 in October. The chief catalysts were loosening up some restrictions and the spike in vaccination rates. Similarly, the Japanese services and manufacturing PMIs rose showcasing the nation's dedication to its economic recovery.
- The Chinese property sector remained in the spotlight as the Kaisa Group, the latest developer tiptoeing around any default, announced a new bond exchange program for its creditors. The company has the most offshore property sector debt coming due over the next year after the famed Evergrande Group.

Odds and Ends

- Shoppers frequented more brick-and-mortar retail locations during the Thanksgiving weekend than compared to years past. For the first time since 2012, preliminary data suggests online retail sales did not increase year-over-year during the weekend. Black Friday online sales alone fell to $8.9 billion from $9 billion last year while Thanksgiving Day online sales were roughly flat at $5.1 billion. However, some foot-tracking devices using cameras and sensors reported traffic rose around 50% or more on Black Friday compared with last year but was around 28% lower than in 2019. Experts attributed much of the foot traffic increase to “covid fatigue”. The National Retail Federation expects U.S. retail sales during November and December combined to rise a record 8.5% from a year ago to as much as $859 billion. The average increase during this period over the past five years was 4.4%.
- Workers in the U.S. resigned from a record 4.4 million jobs in September, proof the “great resignation” seems to be in full effect. However, the monthly rate of resignations hasn’t been in equal proportions across the country. For instance, Hawaii saw the greatest percentage of people quit their jobs, nearly 116% more than in August. Other western states including Montana, Utah, Oregon, and Nevada all saw rates north of 30%. The quits were also concentrated in a few main industries including arts, entertainment, and recreation which saw 82% of their employees voluntarily leave their jobs. Other industries such as state and local education saw around a 39% drop in number of employees. According to the Labor Department, the states with the highest quit rates for the year so far include Hawaii, New Hampshire, and Colorado with 242%, 108%, and 72% respectively.
- The private equity market has flourished this year due to record amounts of buyouts. According to Dealogic, around $944 billion worth of buyouts have taken place this year, more than double the previous high-water mark set in 2007. So far this year, there have been five $10 billion-plus deals in the U.S. as institutions and investors alike seek higher returns in the continual low interest rate environment. The recent string of buyouts follows the $30 billion-plus deal for medical supply company Medline Industries that Blackstone and Carlyle struck in June, the largest buyout deal since the Global Financial Crisis. All signs point to continued elevated levels of deal-making through the rest of the year if the existing conditions persist.

Resource of the week:

- Alternative investments have peaked the interest of more investors recently due to their unique market positioning, able to exploit some inefficiencies that still exist. This episode of *Masters in Business* features a conversation between Bloomberg columnist Barry Ritholtz and Edwin Conway, the global head of BlackRock Alternative Investors (BAI). BAI is one of the fastest-growing segments of the world’s largest asset manager, managing more than $300 billion with at least 1,000 employees as part of BlackRock’s total $9.5 trillion assets under management. Conway chairs the BAI Executive Committee and oversees the strategic direction of BlackRock’s Alternatives platform. Have a listen to this episode to learn more about what one of the leading investment firms has on the docket.
- Podcast link: https://www.bloomberg.com/news/audio/2021-11-24/edwin-conway-on-blackrock-alternative-investors-podcast

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

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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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