

Summit Snapshot: Week of December 6th, 2021

Periodic Returns									
	Trailing Week			Quarter-to-Date			Year-to-Date		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	-1.1%	-1.7%	-2.1%	2.3%	4.6%	6.7%	18.8%	20.5%	22.0%
U.S. Mid-Cap	-1.4%	-2.8%	-5.0%	3.0%	1.5%	-1.2%	21.8%	16.9%	8.3%
U.S. Small-Cap	-2.9%	-3.8%	-4.7%	0.0%	-1.9%	-3.6%	22.7%	10.3%	-0.9%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	-1.2%	5.6%	22.4%
NASDAQ Composite	-2.6%	4.5%	17.8%
International Developed	-0.9%	-1.8%	6.4%
Emerging Markets	0.2%	-2.1%	-3.3%
U.S. Aggregate Bond	0.5%	0.6%	-1.0%
U.S. Municipals	0.3%	0.6%	1.4%
Corporate High Yield	0.6%	-0.7%	3.8%

Source: Morningstar, see 'Disclaimer' for details

U.S. Equity Markets

- Emerging concerns related to the Omicron variant paired with sooner than anticipated Federal Reserve (Fed) tapering spooked markets and introduced volatility throughout the week.
- The S&P 500 Index gave up gains from earlier in the week and ended the period over 1% lower.
- Within the benchmark, the communication services sector lost the most ground as valuation multiples compressed. Utilities and real estate were the only sectors to finish in positive territory based on a flight to safety and falling yields, respectively.
- There is so far, a wide dispersion within S&P 500 sectors over the course of the year. While all sectors are positive, there is a more than 40% delta between the best performing (energy) and the worst performing sector (consumer staples).
- Growth equities remain ahead of value stocks year-to-date, within large caps as we approach the final weeks of 2021.
- Recent weakness in smaller market-cap names has widened large-caps lead. Small-cap stocks, as measured by the Russell 2000 Index, have more than tripled the losses of the S&P 500 Index since mid-November (11/15).

International Equity Markets

- International developed equities fell in line with U.S. counterparts while emerging market stocks were closer to flat.
- European equities were volatile but ended the week little changed after stocks fell late in the week from Omicron variant concerns.
- Japanese stocks fell over the week over similar concerns. While Japanese equities are up double-digits in local terms, yen weakening has contributed to nearly flat performance in U.S. Dollar terms.

- Chinese equities rose over the week despite mostly negative headlines surrounding trade tensions and the delisting of U.S. shares of ride-sharing app Didi.

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

- Treasury yields fell following Friday's jobs number, with the 10-year yield falling to 1.34% at Friday's close. The curve continued to steepen on the week, led by the 2-year at 0.65%.
- Corporate spreads widened along with the risk-off sentiment. Corporate investment-grade and high yield funds both received outflows for the week.
- Tax-exempt yields steadily flattened over the course of the week. With the spike in short-term Treasury yields, the front end and belly of the municipal curve continue to richen.
- Muni fund inflows slowed to \$36 million for the week, down from \$720 million last week.
- Senate Democrats remain divided on the SALT cap deductions while Republicans look to block any changes altogether. Expectations are growing for any new legislation to be pushed into 2022.
- Expanded fixed income commentary from Piton can be found using this [link](#)

U.S. Economic Data/News

- Fed Chair Powell acknowledged in a recent Congressional testimony that while inflationary pressures could lessen net year, they had reached a level that the Fed might consider accelerating their bond purchase tapering. This could also lead to a sooner than expected timeline for raising rates in 2022.
- Recent economic data was mixed. Nonfarm payrolls increased by 210,000 in November, less than half the consensus estimate. On the positive end, the number of jobs created in October was revised upwards and the unemployment rate fell from 4.6% to 4.2% in October.
- Early indicators suggest that the Omicron variant could cause a milder version of the coronavirus than initially feared. It's likely too early to draw stark conclusions but less severity of infection would be one silver lining in the list of concerns surrounding the new variant.

International Economic Data/News

- Cases of the Omicron variant continued to be detected across Europe with several countries, such as Germany, tightening restrictions on unvaccinated citizens. It's also possible that several nations could introduce more stringent requirements on vaccinations and boosters in the coming weeks.
- Eurozone inflation rose to its highest level since the Euro was first introduced in 1999. Consumer prices rose at an annualized rate of 4.9% in November, partially due to a surge in energy costs. Several central bank officials noted that this could be the peak and that inflation is unlikely to spiral out of control.
- Japan recently decided to close its borders to most foreign nationals based on Omicron variant concerns. The border closure was announced swiftly and might be in response to past criticism that Japan's leadership reacted too slowly to combat local infections in the past.
- Chinese economic data was mixed. Factory activity unexpectedly rose last month helped by a modest fall in power and raw material prices. At the same time, service sector data slowed as the Chinese economy struggles to maintain its growth momentum coming out of the pandemic.

Odds and Ends

- Venture capitalists have bet big on crypto start-ups in 2021, investing more than \$27 billion globally as of late November, more than the previous 10 years combined, according to PitchBook. Many of the investments were made by the venture capital arms of crypto companies, businesses whose continued growth will depend on the ecosystem expanding.

- Nasdaq is set to beat the New York Stock Exchange (NYSE) in initial public offerings this year, far outpacing its rival during a record year for capital raised in U.S. public markets. IPOs at Nasdaq have raised \$191 billion this year compared with \$109 billion for new listings at the NYSE, according to Dealogic. Nasdaq's commanding lead with only a few weeks left in 2021 means it is likely to beat the NYSE for the third year in a row.
- New York City will require all private-sector workers to be fully vaccinated against COVID-19. The new mandate will go into effect at the end of December. Children ages 5 through 11, who recently became eligible to get vaccinated against the virus, will also need to have vaccine proof for indoor dining, entertainment, and fitness. The city in August started requiring people to show proof of vaccination for certain indoor activities, such as going to the gym or eating inside restaurants.

Resource of the week:

- If you own a home, there's a decent chance that you've purchased something from Wayfair.com over the years. This episode of *Invest Like the Best* features Niraj Shah, the CEO, and co-founder of Wayfair. Wayfair started life in 2002 as a collection of independent websites selling category-specific home furniture but became a one-stop-shop for the home category in 2011 when at \$500 million in sales the team consolidated their 240 websites into Wayfair.com. Today, the business offers 22 million products from 16,000 suppliers to more than 30 million customers. During this conversation, host – Patrick and Niraj discuss how the competitive frontiers in e-commerce have changed, what it was like to build out a proprietary logistics operation, and what makes the home goods market more attractive than other physical goods markets.
- **Podcast link:** <https://www.joincolossus.com/episodes/73227114/shah-developing-every-skill?tab=transcript>

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 or solicitation to buy any securities mentioned. 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 around 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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