Summit Snapshot: Week of December 13th, 2021

Periodic Returns

	Trailing Week			Quarter-to-Date			Year-to-Date		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	2.9%	3.7%	4.4%	5.2%	8.4%	11.4%	22.2%	24.9%	27.3%
U.S. Mid-Cap	3.1%	2.9%	2.6%	6.2%	4.4%	1.4%	25.5%	20.3%	11.2%
U.S. Small-Cap	2.5%	2.4%	2.4%	2.4%	0.5%	-1.2%	25.8%	13.0%	1.5%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	3.8%	9.7%	27.2%
NASDAQ Composite	3.6%	8.3%	22.0%
International Developed	2.4%	0.6%	9.0%
Emerging Markets	1.1%	-1.0%	-2.2%
U.S. Aggregate Bond	-0.7%	-0.1%	-1.7%
U.S. Municipals	0.0%	0.6%	1.4%
Corporate High Yield	0.7%	-0.1%	4.4%

Source: Morningstar, see 'Disclaimer' for details

U.S. Equity Markets

- U.S. stocks rebounded last week from the prior week's downturn. Fears about the new omicron variant seemed to quickly subside and the S&P 500 Index recorded its best weekly gain since February.
- Within the S&P 500, all sectors were positive. The clear leader was information technology up nearly 6% driven by strong gains in the sector's largest company, Apple. Its market capitalization ended Friday just below $3 trillion, easily making it the world's most valuable public company.
- A few stocks that defined the week include Royal Caribbean Group (RCL), Carnival (CCL), and other cruise lines which spiked after initial fears of the omicron variant severity dissipated. Tyson Foods (TSN) plans to spend $1.3 billion to automate part of its production lines over the next three years as it navigates the tricky labor shortage, hoping to emerge stronger than ever and positioned to grow.
- Large-cap stocks modestly beat small-caps and growth slightly led value although any disparity between the segments was not meaningful. For the year, small-cap growth has not followed suit with other specific size-and-styles, as it is only in the black by 1.5%.

International Equity Markets

- International equities increased as developed markets advanced more than emerging markets. Broad emerging market stocks remain in negative territory for the year.
- European equities rebounded like U.S. equities, following the abating omicron concerns. There were some localized restrictions implemented, however, as the U.K. rolled out Plan B encouraging people to work from home if possible and requiring mask-wearing indoors at places where it is practical to wear one. Other nations tightened measures including Denmark, Norway, Germany, Italy, France, and Ireland.
- Japanese stocks rose as Prime Minister Fumio Kishida announced detailed plans relating to a shift to more digitalization, climate change mitigation, and a stronger ecosystem.
- Chinese stocks rose last week after the People's Bank of China announced it will cut the reserve requirement ratio for banks by 0.5% releasing ¥1.2 trillion (~ $188 billion) of liquidity into local markets.

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

- Treasury yields climbed following Friday's jobs number, with the 10-year yield closing around 1.49%, up nearly 14 bps from the week prior.
- The spread between 2s30s has increased by around 13 bps since the start of the month.
- The reaction from the market does not indicate any major changes expected on the Fed's course of tightening for next year.
- Investment-grade corporate bond credit spreads tightened at the start of the week. However, such bonds fell week-over-week while high-yield corporates advanced. Investment-grade funds recorded a second straight week of outflows while high-yields reported net inflows.
- Notable new corporate issues for next week include $8 billion in aggregate offered by Merck in five parts.
- Municipal bonds remained the dominant investment-grade sector this week with the Bloomberg Municipal Bond index remaining unchanged while the taxable Bloomberg U.S. Aggregate Bond index was down over 20 basis points Friday morning. High demand for tax-exempt bonds allowed municipals to shrug off inflationary data points last week.
- Investors added to municipal bond funds for the 40th straight week to the tune of over $800 million.
- Expanded fixed income commentary from Piton can be found using this link

U.S. Economic Data/News

- Last week's most likely notable story was that the November consumer price index rose 6.8% compared to a year ago, and 0.8% on a month-over-month basis. The annual increase is the largest jump since 1982 which had retreated from nearly 15% a few years prior to then. The increase was in line with expectations which was mostly broad-based implying wage pressures, supply chain issues, and energy costs were contributors. Nevertheless, the high level of inflation strengthens the case for the Federal Reserve to accelerate the planned tapering of monthly bond purchases and lessen other stimulus measures.
- On Thursday, the Labor Department reported that 184,000 people filed for unemployment benefits the prior week, which is the lowest number since 1969, an amazing 52-year timeframe. In addition, the count of vacant jobs spiked to a record 11 million mostly concentrated in accommodation and food services. There are fewer people in the workforce than pre-pandemic, making it hard for employers to fill open positions even with upward pressure on wages.
- It's still not certain, but preliminary signs indicate the severity of U.S. cases of omicron were mild as reported by Rochelle Walensky, the head of the Centers for Disease Control and Prevention. However, she emphasized further analysis still needs to be done to verify these claims. Also, on Wednesday Pfizer and BioNTech reported the third dose of their vaccine was significantly more effective at generating antibodies and providing protection against the omicron variant than two doses do.

International Economic Data/News

- As reported by their government, German industrial production rose more than expected in October by 2.8% on a monthly scale. Exports and imports both rose by 4.1% and 5% respectively showing economic strength. However, orders for the future plummeted by 6.9%.
- In the U.K., the gross domestic product (GDP) figure grew by 0.1% in October, down from a 0.6% increase in September as the construction industry contracted given rising costs and supply chain disruptions.
- The third-quarter Japanese GDP was revised lower to a 3.6% annual contraction due to lingering pandemic effects. Separately, the Bank of Japan showed a record 9% annual increase in producer prices due to the expected culprits – supply chain bottlenecks and higher costs for raw materials.
- China released a host of economic readings. First, the annual tally of exports rose 22.0% in November while imports surged 31.7%. As a result, the trade surplus declined compared to October. Also, the Chinese consumer price index rose 2.3% year-over-year in November compared to a 1.5% gain in October.

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Odds and Ends

- A historic surge of cash has swept into exchange-traded funds (ETFs). Year-to-date, more than $1 trillion has gone into the vehicles according to Morningstar, a record amount. These flows, combined with market appreciation, have resulted in global ETF assets of nearly $9.5 trillion in magnitude, double the size of the industry at the end of 2018. Most assets have been allocated to low-cost passive funds managed by Vanguard, BlackRock, and State Street, which manage more than 75% of all U.S. ETF assets combined. However, new ventures by many asset management firms to launch actively-managed ETFs have also exploded. These new products are constructed in a variety of flavors, like mutual funds are today, from narrow, niche themes to broad sector exposures.
- As the U.S. stock market catapults forward, companies repurchasing their own stocks from investors have picked up. This strategy, termed stock buybacks, is another means to return capital to investors aside from paying traditional dividends. Companies in the S&P 500 repurchased a record $234.5 billion in shares during the third quarter which beats the previous record of $223 set in 2018. If corporate earnings continue to grow, forecasted at around 45% for all S&P 500 companies in 2021, then the popularity of stock buybacks is expected to increase.
- Late Friday night into Saturday morning, a series of tornadoes ripped through at least five states causing massive amounts of damage and wreaking havoc. One of the tornadoes was on the ground for about 227 miles, 200 of which were in Kentucky which is one of the hardest-hit areas. Emergency rescue operations are still underway, with teams combing through the destruction and rubble searching for survivors. President Biden signed a federal disaster declaration on Saturday afternoon in addition to speaking with Federal Emergency Management Agency (FEMA) officials to thoroughly assess the damage and decide how to expedite federal resources to the affected regions. Kentucky Governor Andy Beshear fears his state's death toll could quickly exceed 100 people.

Resource of the week:

- Ian Charles and Doc O'Connor are the Co-Founders and Managing Partners of Arctos Sports Partners, a private equity firm dedicated to buying minority stakes in professional sports franchises. From its founding just two years ago, Arctos quickly has become the market leader in the space, raising a $2.1 billion first-time fund and a SPAC alongside Executive-in-Residence Theo Epstein, and buying stakes in MLB teams including the Boston Red Sox, the Golden State Warriors and Sacramento Kings in the NBA, and a compliment of other sports assets. This episode of *Capital Allocators* covers their backgrounds and the formation of Arctos, the investment opportunity in sports franchises, and the underlying business and ownership structure. Also, they discuss the unique characteristics of the asset, investment process, and growth strategy. Please enjoy this interesting interview to learn more details about this space.
- **Podcast link**: https://capitalallocators.com/podcast/investing-in-sports-teams-at-arctos-sports-partners/

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 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 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. The 2s30s spread is the difference between the yield on the 30-year Treasury bond and the yield on the 2-year Treasury note.

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.