

## Summit Snapshot: Week of December 20<sup>th</sup>, 2021

Periodic Returns									
	Trailing Week			Quarter-to-Date			Year-to-Date		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	-0.6%	-1.9%	-3.0%	4.6%	6.4%	8.1%	21.5%	22.6%	23.5%
U.S. Mid-Cap	-1.5%	-1.6%	-1.8%	4.6%	2.7%	-0.4%	23.7%	18.3%	9.2%
U.S. Small-Cap	-1.7%	-1.7%	-1.7%	0.7%	-1.2%	-2.9%	23.7%	11.1%	-0.2%

  

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	-1.9%	7.6%	24.7%
NASDAQ Composite	-2.9%	5.1%	18.4%
International Developed	-0.5%	0.1%	8.5%
Emerging Markets	-1.8%	-2.7%	-3.9%
U.S. Aggregate Bond	0.4%	0.2%	-1.3%
U.S. Municipals	0.1%	0.7%	1.5%
Corporate High Yield	0.1%	0.0%	4.5%

Source: Morningstar, see 'Disclaimer' for details

### U.S. Equity Markets

- U.S. equities were down across the board last week reflecting actions of the Federal Reserve (the Fed) paired with additional omicron fears.
- Rising longer-term rates disproportionately affected growth and technology stocks as valuation multiples rapidly compressed.
- Within the S&P 500 Index, technology and consumer discretionary were among the worst performing sectors. The energy sector also fared poorly as omicron travel limitations could lead to reduced demand.
- Defensive sectors, including healthcare, utilities, and consumer staples were the top performers and managed gains for the week. The smaller-sized real estate sector also had positive results.
- Volatility picked up towards the end of the week based on unusual option market activity paired with emerging pandemic-related concerns.
- With 2021 nearing an end, the headline S&P 500 Index is near an impressive 25%. That said, there is a wide disparity within different areas of the market. For instance, small-cap growth stocks, which soared in 2020, are next-to-flat. Overall, value stocks have widely bested growth stocks outside of the large-cap space.

### International Equity Markets

- Developed, international and emerging market equities both fell last week, although EM equities fared worse.
- While most many global equity markets are positive year-to-date, EM equities are now off nearly 4% for 2021.
- European shares fell along with global markets as local governments increased restrictions to combat the rapid spread of the omicron variant.
- Japanese stocks rose modestly last week as investors viewed the U.S.' tapering decision as a positive in

- the post-pandemic recovery, which Japan is highly leveraged to.
- Chinese equities fell again last week due to coronavirus concerns and continued regulatory fears.

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

- The U.S. Treasury 10-year yield fell to 1.3750% Friday on rising concerns over the omicron variant.
- Moves in the yield curve were led by the long end, with the yield on the 30-year lower 0.045% to 1.81%
- Investors withdrew \$1.26 billion of cash from funds that invest in investment grade, corporate bonds this week, marking the third straight week of outflows.
- Companies have priced a record \$62 billion of new issuance in the first few weeks of December. The primary market began to slow as the FOMC meeting approached, as well as the holiday season.
- Risk premium spreads widened modestly heading into the Federal Open Market Committee (FOMC) results but have since tightened into Friday's trading day. Many analysts are calling for more volatility in credit spreads in 2022 due to a faster Fed tapering of bond purchases.
- Municipals were unchanged on the week, underperforming Treasuries as additional supply was well digested heading into year-end.
- Muni funds saw \$764 million of inflows for the week marking the 41<sup>st</sup> consecutive week.
- Municipals should continue to find support in the near term with light supply over the remaining few weeks and the benefit of the "January effect", historically a low issuance month.
- **Expanded fixed income commentary from Piton can be found using this [link](#)**

### **U.S. Economic Data/News**

- Producer prices jumped nearly 10% in November compared with a year earlier. This was the largest increase since the data set began in 2010.
- The Fed's policy meeting mid-last week dominated sentiment which reflected recent inflation data. The survey of policymakers showed that many now expect three 0.25% rate hikes next year compared to expectations for two.
- The Fed also announced faster than expected tapering of asset purchases which are now expected to end at the close of March 2022.
- Senator Joe Manchin said he would oppose his party's roughly \$2 trillion education, healthcare, and climate package, likely dooming the centerpiece of President Biden's economic agenda as currently written.
- The omicron variant spread through parts of the country at a breakneck pace last week. Despite being more contagious, early signs demonstrate that the new variant is possibly less severe than past variants.

### **International Economic Data/News**

- ECB President, Christine Lagarde indicated that rate increases next year were very unlikely, reflecting new coronavirus concerns. That said, it is nearing the end of its emergency asset purchase program in March.
- Several European nations, including Denmark and Norway, strengthened restrictions and encouraged citizens to work from home. Germany and the UK voted in favor of mandatory vaccination requirements for healthcare workers.
- The Bank of Japan (BoJ) continues to be among the most dovish global central banks as it expects to maintain a target 10-year bond yield of around 0% into next year. Although exports have increased to a degree, they remain somewhat constrained based on supply limitations.
- China has amped up efforts to rein in strength in the yuan, most recently increasing the foreign reserve requirement ratio. The yuan recently reached its highest level against the U.S. dollar since mid-2018.

## Odds and Ends

- For all of the talk of the democratization of money through cryptocurrencies, you may be surprised that the top bitcoin holders control a greater share of the cryptocurrency than the most affluent American households control in dollars, according to a study by the National Bureau of Economic Research. The study showed that the top 10,000 bitcoin accounts hold 5 million bitcoins, an equivalent of approximately \$232 billion. With an estimated 114 million people globally holding the cryptocurrency, according to crypto.com, that means that approximately 0.01% of bitcoin holders control 27% of the 19 million bitcoin in circulation. By comparison, in the U.S., where wealth inequality is at its most extreme in decades, the top 1% of households hold about a third of all wealth, according to the Federal Reserve.
- Billionaire Elon Musk, the world's richest person, said he will pay more than \$11 billion in taxes this year according to a tweet over the weekend. Musk sparred last week with Senator Elizabeth Warren, who called on the billionaire to pay more in taxes. Musk responded by reporting that he will pay more taxes than any American in history this year.
- After a brief slump, lumber prices have shot up again in a rise reminiscent of a year ago. Futures for January delivery ended Friday at \$1,089.10 per thousand board feet, twice the price for a prompt delivery in mid-November. Cash prices are way up as well. Pricing service Random Lengths said that its framing composite index, which tracks on-the-spot sales, has jumped 65% since October, to \$915. A \$129 gain this week was the biggest on record, eclipsing a \$124 jump in May, when lumber prices crested at all-time highs.

## Resource of the week:

- In this episode of the *Business Breakdowns* podcast, the hosts dive into the National Football League (NFL). Football is a sport that dominates American Sundays from late summer into early winter. Behind what happens on the field is a \$15 billion business with a unique operating and ownership structure and many stakeholders. During the conversation, the hosts break down some of the fascinating dynamics of the NFL, including how it dominates linear TV, the unique revenue considerations for the league and its teams, and what makes the NFL stand out relative to other sports. This episode is a great listen regardless of if you're an NFL fan or not.
- **Podcast link:** <https://www.joincolossus.com/episodes/76212117/kapoor-the-national-football-league?tab=shownotes>

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 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.

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