

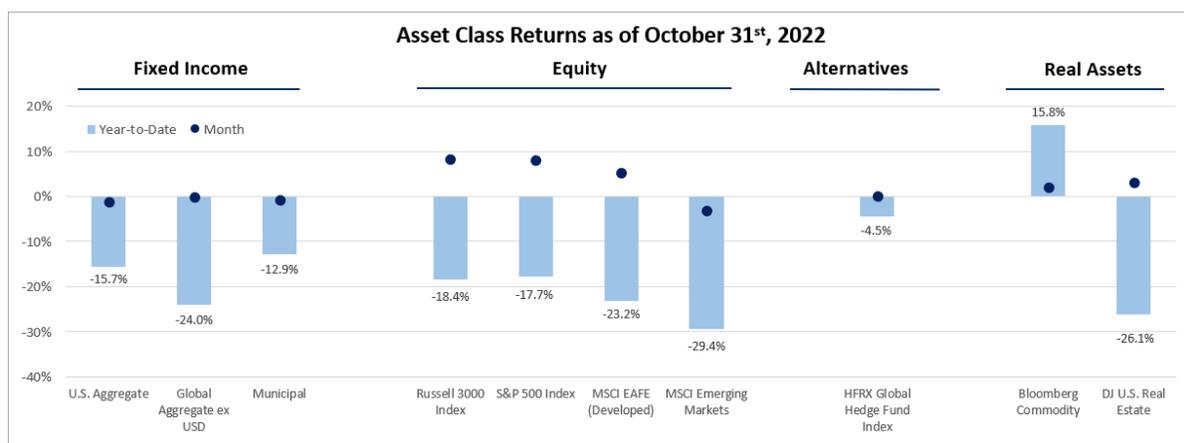
After a difficult September, investors enjoyed a respite from the grueling downturn in the capital markets. Global stocks surged on a wave of optimism as investors absorbed third quarter corporate earnings and hoped that the Federal Reserve and other central banks would slow the pace of monetary tightening. Fixed income again created headaches for investors as interest rates continued their upward trajectory. The yield curve remained inverted with short-term rates higher than long-term rates, a recessionary signal that has led to a rush of new money into cash and short-term fixed income.

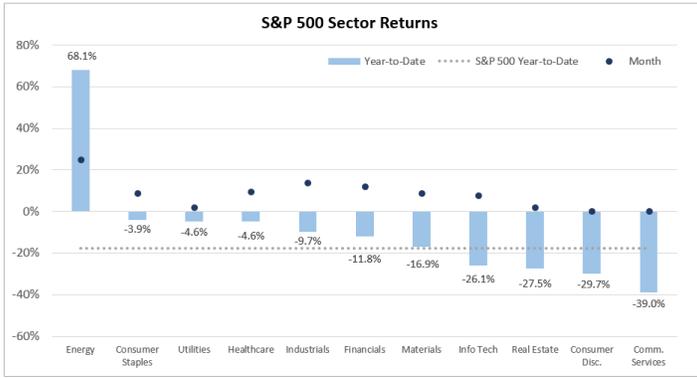
The S&P 500 gained 8% while developed market stocks advanced 7% for the month. Emerging market stocks declined largely due to a plunge in Chinese companies. The energy sector led the pack as company earnings far surpassed analyst expectations. Industrials and financials also outperformed. Lagging sectors included consumer discretionary and communication services. So far, third quarter earnings have been mixed, particularly in the technology sector. Overall profit margins have held up and earnings growth remains positive despite sharply rising costs. This modest good news was enough to drive the broad stock indexes higher. Stock market volatility was elevated with wide daily price swings, contributing to a VIX level above 30 for much of the month. Bond yields continued to push higher, resulting in negative returns across most bond markets. High yield, which often trades in line with equities, and inflation-sensitive TIPS were the only fixed income sectors to earn positive returns. U.S. Treasuries underperformed other government bonds as well as corporate and municipal bonds. Treasury prices have been volatile, affecting liquidity and pushing up financing rates for consumer credit. Default rates on corporate bonds have ticked up slightly but remain historically low. Most municipalities have healthy reserves and are well-positioned for an economic slowdown.

Politics were in the spotlight during the month. The upcoming U.S. elections may result in a divided government that could put a damper on new legislation and create regulatory uncertainty. Chairman Xi consolidated power during the Chinese Communist Party Congress and seems poised to drive forward his political and ideological agenda even at the expense of economic growth. As China looks inwards and reshapes its economy, global supply chains and geopolitical relationships will be impacted. In the U.K., Rishi Sunak became the new Prime Minister and quickly began reversing the policies of his short-lived predecessor. The war in Ukraine grinds on while Russia has sowed instability by backing out of agreements to ease energy and grain shortages and has raised the specter of nuclear weapons.

There was some good news for the Fed as it continues to fight inflationary pressures. Commodity prices have moderated including energy prices which are a key inflation driver. The housing market appears to be slumping with new construction and existing home sales weakening. Manufacturing and services business activity has declined. The labor market, while still stretched, shows signs of moderation, and wage growth is materially below inflation. Pent up savings from the pandemic continues to support consumer spending but rising consumer credit levels suggest that this may be waning. The Fed has communicated mixed messages in recent weeks but appears determined to bring inflation closer to its 2% target. U.S. third quarter GDP growth at 2.6% was higher than expected and the latest Core PCE figure of 4.5%, along with solid employment and consumer data, suggest there is more work to be done to combat inflation.

Financial markets are being impacted by a shortage of capital triggered by the sharp rise in borrowing costs. M&A activity and the issuance of new securities have slowed to the lowest levels since the global financial crisis. This has raised concerns that some companies will struggle to cover rising interest costs. Liquidity has deteriorated in the U.S. Treasury market and the Fed is closely monitoring non-bank financial leverage for signs of distress. The recent turmoil in the U.K. currency and government bond markets and a liquidity issue with Credit Suisse also raised alarms that a financial shock outside the U.S. could trigger a financial market crisis. Although corporate and consumer balance sheets are healthy, the Fed will have to consider these stresses as it contemplates future interest rate hikes. Portfolio diversification across and within asset classes while avoiding high volatility and leveraged investments has been essential to navigating the difficult economic and market environment.



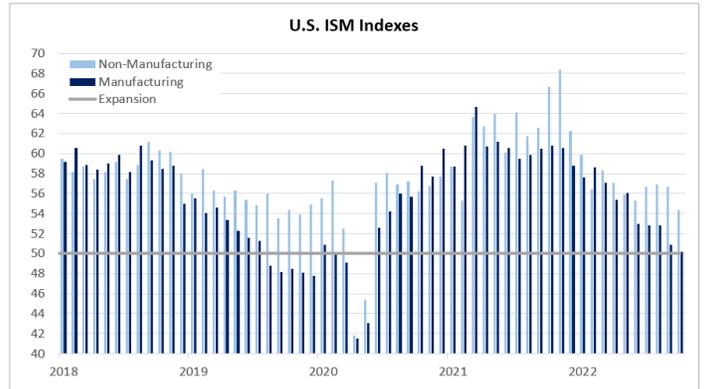


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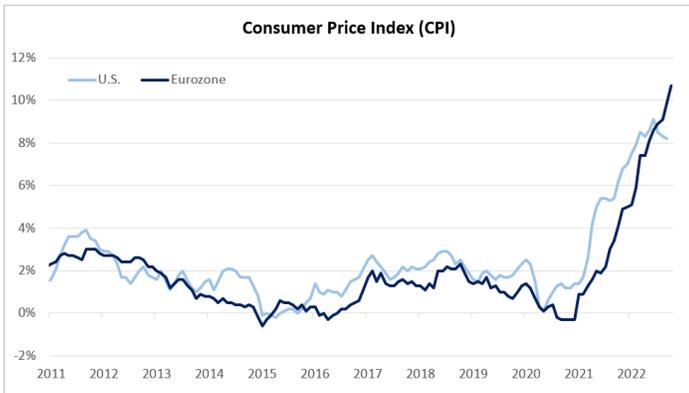


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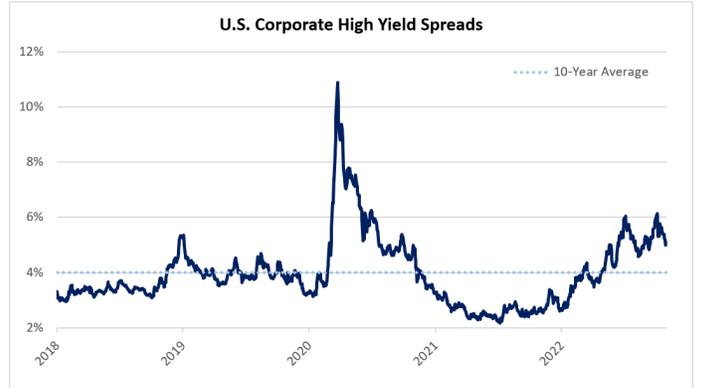
Bloomberg; U.S. indices from Russell and world indices from MSCI



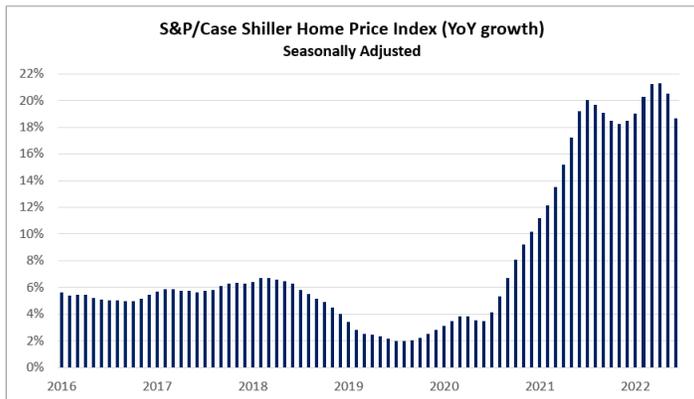
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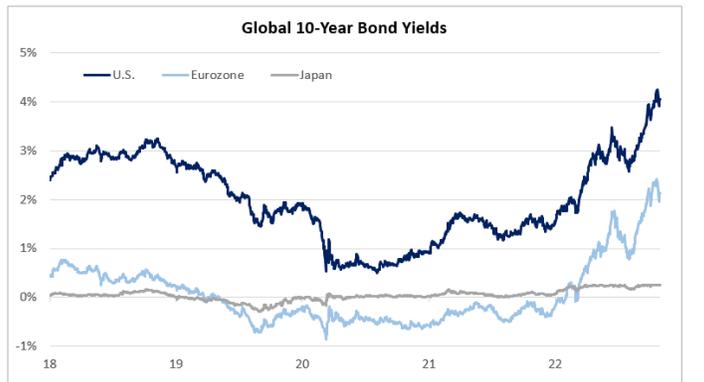
U.S. Bureau of Labor Statistics



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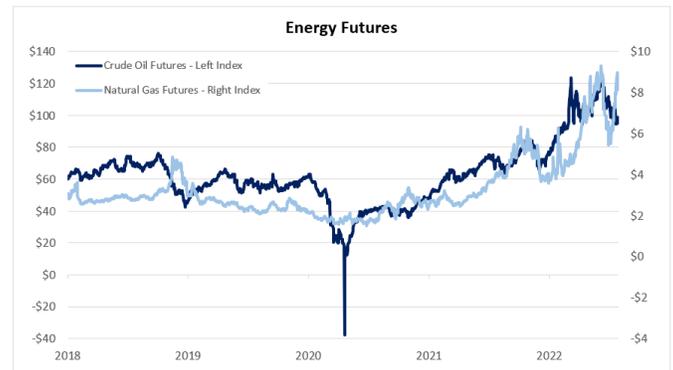
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The Russell 3000 Index is constructed to provide a comprehensive, unbiased and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected; The Russell 2000 Index measures the performance 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 Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap Index represents approximately 31% of the total market capitalization of the Russell 1000 companies; 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 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 World Index captures large- and mid-cap representation across developed markets countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country; the Bloomberg Commodity Index reflects commodity futures price movements and is calculated on an excess return basis. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production, and weight-caps are applied at the commodity, sector, and group level for diversification. Roll period typically occurs from the 6th-10th business day based on the roll schedule; 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 Global Aggregate Ex U.S. Index is a measure of investment-grade debt from twenty-four local currency markets. This multi-currency benchmark includes Treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. Bonds issued in U.S. dollars are excluded; 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 Dow Jones U.S. Real Estate Index measures the performance of real estate investment trusts (REITs) and other companies that invest directly or indirectly in U.S. real estate through development, management, or ownership, including property agencies; 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 HFRX Global Hedge Fund Index is comprised of funds representing the overall hedge fund universe. Constituent funds include but are not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, even driven, macro, merger arbitrage, and relative value arbitrage. The underlying strategies are asset weighted based on the distribution of assets in the hedge fund industry; The S&P Case-Shiller Home Price Index measures the value of single-family housing within the U.S. The index is a composite of single-family home price indices for the nine U.S. Census divisions. Leading economic indicators (LEI) are statistics that precede economic events. They predict the next phase of the business cycle. The OECD Composite leading indicators (CLIs), designed to anticipate turning points in economic activity relative to trend, continue to strengthen in most major economies. 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 Consumer Confidence Index is a measure based on a survey administered by The Conference Board that reflects prevailing business conditions and likely developments for the months ahead. This monthly report details consumer attitude, buying intentions, vacation plans and consumer expectations for inflation, stock prices and interest rates. A Treasury Bill (T-Bill) is a short-term U.S. government debt obligation backed by the Treasury Department with a maturity of one year or less. The ISM manufacturing index, also known as the purchasing managers’ index (PMI), is a monthly indicator of U.S. economic activity based on a survey of executives covering all North American Industry Classification System’s businesses in the manufacturing sector. The ISM Non-Manufacturing Index is a monthly indicator of U.S. economic activity based on a survey of executives covering all North American Industry Classification System’s businesses in the services (or non-manufacturing) sector. 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. 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