SUMMIT FINANCIAL

Summit Snapshot: Week of February 28th, 2022

Periodic Returns

	Trailing Week			Quarter-to-Date			Year-to-Date		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	0.9%	1.0%	1.1%	-3.0%	-8.1%	-12.7%	-3.0%	-8.1%	-12.7%
U.S. Mid-Cap	0.9%	1.3%	2.2%	-4.3%	-7.8%	-14.1%	-4.3%	-7.8%	-14.1%
U.S. Small-Cap	1.1%	1.6%	2.1%	-4.6%	-9.0%	-13.4%	-4.6%	-9.0%	-13.4%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	0.8%	-7.8%	-7.8%
NASDAQ Composite	1.1%	-12.4%	-12.4%
International Developed	-2.5%	-6.6%	-6.6%
Emerging Markets	-4.8%	-4.8%	-4.8%
U.S. Aggregate Bond	-0.3%	-4.0%	-4.0%
U.S. Municipals	0.2%	-3.2%	-3.2%
Corporate High Yield	0.4%	-3.9%	-3.9%

Source: Morningstar, see 'Disclaimer' for details

U.S. Equity Markets

- Domestic stocks were mostly higher during a historic week marked by Russia's invasion of Ukraine which initially wreaked havoc on global markets. Astonishingly, U.S. stocks made a dramatic upwards swing on Thursday that continued into Friday. To show how high volatility levels are, Tesla added about $100 billion in market capitalization on Thursday, but its stock price still fell by 5.5% throughout the week.
- Although the Russian invasion across the border was widely anticipated for weeks, President Vladimir Putin's decision to implement a large-scale takeover of all regions across Ukraine was unexpected. After the initial shock from these events subsided, U.S. stocks rebounded based on thoughts the Federal Reserve may shift their monetary policy tightening plans and reevaluate interest rate increases.
- Within the S&P 500 Index, consumer discretionary stocks lagged despite a positive return from industry-leading Amazon. The communication services and health care sectors were largely positive.
- Small-cap stocks outpaced large-caps and growth modestly led value as all areas had positive returns for the week but remain negative for the year.

International Equity Markets

- International markets equities declined meaningfully last week. Developed markets fell more than 2% while emerging markets plummeted almost 5% according to their MSCI indices in USD terms.
- European stocks declined amid the Russian invasion which spurred fears of even higher inflation. The U.K. and the European Union imposed some initial sanctions on Russia as part of a unified response.
- Japanese equities also fell given the political turmoil. Further sanctions were announced on Friday which included export controls on high-tech products, a freeze on Russian banks' assets, and a suspension of visa issuance for some Russian individuals.
- Chinese stocks took a nosedive after falling more than 5% in USD terms amidst the global tension.

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

- A flight-to-quality pushed U.S. Treasury yields lower midweek, with the 10-year dropping to 1.84% on Thursday morning. Ultimately it rebounded and closed the week at 1.98%.
- As of Friday morning, Treasuries sold off from the overnight highs by 6-7bps, with the small move suggesting the market is still very uncertain as events continue to unfold. This comes after headlines reported that Russia could be ready to send delegates to Minsk for diplomatic discussions.
- Investment-grade corporate spreads were wider by around 5bps last week following a risk-off sentiment as primary issuance was light given the volatility and uncertainty.
- Investment-grade funds recorded $754 million of outflows, much less than the $2.5 billion of outflows the week prior. Similarly, corporate high yield funds recorded just under $1 billion of outflows, also less than the $3.5 billion of outflows experienced one week ago.
- Municipals were 3-4bps lower on the week outperforming Treasuries. Rates moved higher on Friday while typically slow-to-react municipal bonds remained lower. On Thursday, municipal yields fell 6-8bps, the largest single-day rally since late 2020.
- Municipal bond funds saw $1.2 billion in outflows through the week ending Wednesday, the fifth outflow in the past six weeks.

U.S. Economic Data/News

- Economic news took a backseat to geopolitical tensions which dominated headlines throughout the week. Nevertheless, released on Friday the core personal consumption expenditures price index rose 5.2% through the year that ended in January. It is the Fed's preferred inflation gauge and tallied in at the largest annual increase since 1983.
- In other news, consumer spending increased 2.1% in January, well above the 1.6% estimate. Orders for durable goods rose by 1.6%, symbolic of the increased spending levels and double the size of expectations.
- Pending home sales fell to a nine-month low in January as inventory levels are at historic lows and mortgage rates are up from their recent low levels. After starting the year around 3.2%, the average rate for a 30-year fixed-rate loan is now about 4.0% which lessens the affordability of homes for some buyers.
- Initial jobless claims reported through the week ending February 19th fell by 17,000 from the week prior to 232,000. Continuing unemployment claims fell by 112,000 to 1.5 million through February 12th. This is the lowest level since 1970, reflective of an arguably tight labor market.

International Economic Data/News

- Eurozone business activity increased in February as an IHS Markit survey indicated, representative of the easing coronavirus restrictions. An early estimate of the composite purchasing managers index showed it rose to 55.8, up from the 53.3 reading in January. Manufacturing activity rose given rising demand levels and fewer supply chain bottlenecks that exist in the production cycle.
- Contrasting the Eurozone, the Japanese private sector contracted sharply as indicated by some PMI reports. This reconciles with the record level of coronavirus cases amid the spread of the omicron variant and reinforcement of restrictions.
- To address the energy price concerns stemming from the Russia/Ukraine situation, Japan's Prime Minister Fumio Kishida confidently stated that his country has enough oil and gas reserves to cushion any short-term supply constraint. The country will also work with international partners to stabilize the crude oil market, mitigating any adverse economic impacts.
- The People's Bank of China decided to keep short-term (one- and five-year) interest rates unchanged which surprised investors expecting a reduction. Regardless, the property sector remains challenged as all listed developers that disclose monthly sales data reported double-digit sales drops in January.

Odds and Ends

- Overnight Wednesday into Thursday morning, Russia launched a widescale attack on Ukraine, invading the country in several areas with rockets and artillery fire. This attack goes against President Putin's months-long claims his troops would not invade his neighboring nation. Russia's intent is to overtake Ukraine's democratically elected government, which Russia feels will free the nation from longstanding oppression in place since the end of the Cold War. Ukraine President Volodymr Zelensky is clear he and his administration are the main targets of the attacks but vowed to not go down without a lengthy battle. So far, more than 100,000 Ukrainians have relocated to neighboring countries willing to accept them, while those citizens who have remained behind were urged by President Zelensky to help defend his nation. It's too early to tell what these events will lead to, but tensions are high and conflicts throughout areas of Europe persist.
- Blackstone's Chief Executive Officer and founder Steve Schwarzman took home a record $1.1 billion in 2021. This figure is absolutely near the top of the list of highest compensated Wall Street executives, if not the highest. It's the largest amount ever received by Schwarzman which was primarily composed of $941 million in dividends from his 19% ownership stake of Blackstone stock. The firm's market capitalization now stands at $155 billion, more than four times its closest private equity peer Apollo Global Management. At year-end, the firm's assets under management were reported at $880.9 billion, reflective of a tremendous firm effort to reach more wealthy investors than ever before.
- Last month, an unprecedented 82% of new car buyers paid above the listed sticker price according to consumer research site Edmunds.com. Dealer inventories nationwide are severely depleted, leading to frequent, dramatic surcharges and even angry customers. Not all dealerships adhere to this price gouging tactic though. General Motors, Ford, and Hyundai have gone as far to warn their dealerships they could have inventory shipments reduced if they are caught marking up prices. Through February, the average price of a used car is 27.3% higher than it was a year ago while a new car is 17.9% higher according to data sourced from JD Power.

Resource of the week:

- Accolade Partners is a $3.6 billion venture fund of funds that invests across early stage, growth, blockchain, and empowerment strategies. This episode of Capital Allocators features a conversation between host Ted Seides and Accolade Partners founder and managing partner, Joelle Kayden who leads one of the most respected firms in the business. The two discuss Joelle's nearly two decades in technology investment banking, the launch of Accolade into the dot.com bubble, and its evolution over twenty years. They also discuss her perspectives on the different ways to win in venture capital, assessing culture, adding value as an LP, portfolio construction, re-upping decisions, and investing in the current environment. Have a listen to hear more from an industry pioneer.
- **Podcast link**: https://capitalallocators.com/podcast/canvassing-the-landscape-at-accolade-partners/

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 Bloomberg US Agg Bond TR USD Index, U.S. Municipals by the Bloomberg Municipal TR USD Index, and Corporate High Yield by the Bloomberg 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 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 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 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 the 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 5s30s spread is the difference between the yield on the 30-year Treasury bond and the yield on the 5-year Treasury note.

Data in this newsletter is obtained from sources that 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.