Summit Snapshot: Week of March 21st, 2022

Periodic Returns

	Trailing Week			Quarter-to-Date			Year-to-Date		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	4.4%	6.4%	8.4%	-1.4%	-6.5%	-11.0%	-1.4%	-6.5%	-11.0%
U.S. Mid-Cap	4.7%	6.2%	9.5%	-2.8%	-6.5%	-13.2%	-2.8%	-6.5%	-13.2%
U.S. Small-Cap	3.4%	5.4%	7.7%	-2.1%	-6.9%	-11.6%	-2.1%	-6.9%	-11.6%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	6.2%	-6.1%	-6.1%
NASDAQ Composite	8.2%	-11.1%	-11.1%
International Developed	5.6%	-7.3%	-7.3%
Emerging Markets	3.5%	-8.6%	-8.6%
U.S. Aggregate Bond	-0.4%	-5.2%	-5.2%
U.S. Municipals	-0.5%	-4.9%	-4.9%
Corporate High Yield	0.5%	-5.1%	-5.1%

Source: Morningstar, see ‘Disclaimer’ for details

U.S. Equity Markets

- U.S. stocks snapped a two-week losing streak with the S&P 500 Index rising more than 6%. The gain was enough to recover much of the lost ground over the past month.
- Growth stocks were among the strongest performers but remain behind value shares so far year-to-date. Small-caps generally lagged large-caps over the week, although the different market-caps segments are more evenly matched so far in 2022.
- Within the S&P 500 Index, the previously beaten down consumer discretionary and IT sectors were the top performers. Meanwhile, energy which was the top performer year-to-date was the only negative sector over the week. The utilities sector was also a relative laggard.

International Equity Markets

- Developed and emerging international equities produced strong gains but generally lagged domestic counterparts.
- European equities logged another consecutive week of gains benefitting from the prospect of peace talks in Eastern Europe and the potential for supportive economic measures in China.
- Japanese equities rose every single day last week and posted a strong gain for the period. Markets were supported by a continued dovish stance by the Bank of Japan (BoJ).
- Chinese equities had a particularly volatile week but finished the period in positive territory. Notably, more supportive comments from local regulators regarding technology companies translated to a late-week rally.
- Russia’s stock market remained closed last week. The Moscow Exchange has now been closed for nearly a month, as it first closed on February 25th.

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

- The Federal Open Market Committee (FOMC) raised their target interest rate from 0.00% to 0.25% last Wednesday. This widely anticipated move was the first-rate hike since December 2018.
- Despite the well telegraphed move, investors focused on the "hawkish" language used in their statement, and the anticipated path of rates of the committee. Average projections for Fed rate hikes were 7, 25 basis point moves this year. They also called anticipated that the Fed funds rate would be above the neutral rate by 2024.
- The Fed stated it would shrink its $8.9 trillion balance sheet at a "coming meeting" but did not elaborate.
- The 10-year Treasury yield rose to over 2.2% mid-week but subsequently settled at closer to 2.15%.
- Along the curve, shorter maturity yields generally rose more than longer maturity equivalents contributing to a flattening of the curve. The five-year yield briefly eclipsed the yield of the 10-year Treasury note during intraday trading Wednesday and did so again early last Friday. The inversion of several portions of the yield curve could be indicative of an impending recession.
- Municipal yields continued to ascend higher to start the week heading into the Fed meeting. Since the beginning of the year, municipal yields across most maturities have moved almost 100 basis points higher resulting in the weakest performing quarter since 1994 with the broad Municipal index down ~5%.
- Investors have continued to pull money from municipal funds resulting in elevated bid wanted lists as funds managers are forced to meet redemptions
- Last week's municipal issuance was muted with approximately $6 billion expected to price this week as continued volatility and Fed rate announcements have pushed issuers to the sidelines.

U.S. Economic Data/News

- Inflation pressures continued to strengthen and broaden beyond pandemic-related supply disruptions. More robust inflationary pressures were also acknowledged at the recent Fed meeting where the forecast for growth was downgraded while inflation projections were revised upwards.
- Economic data released last week was mixed. Retail sales disappointed although January's figure was revised upwards. On the contrary, the labor market continued to demonstrate strength and unemployment claims fell to a 1-year low.
- The producer price index decelerated last month, offering at least one sign of peaking upward price pressures.
- Mortgage rates have risen significantly from historical lows reached over the past two years. 30-year mortgage rates have now surpassed 4% for the first time in nearly 3-years.

International Economic Data/News

- The Bank of England (BoE) raised its policy rate to 0.75% from 0.50% seeking to curb local inflation. The BoE also acknowledged that further monetary policy tightening might be required in the coming months depending on how things evolve.
- European Central Bank (ECB) President, Christine Lagarde recently expressed a more bearish tone, likely reflecting the impact the Russia/Ukraine conflict could have on local growth and inflation.
- The BoJ's recent policy meeting reaffirmed its dovish stance. The BoJ maintained its short-term policy rate at -0.1% and its target 10-year government bond yield near-0%.
- Chinese policymakers said they would introduce more market-friendly measures to keep capital markets running smoothly. They also vowed to support stability and overseas listings which eased many investors' minds and translated to a large rally in Chinese 'big tech.'

Odds and Ends

- American frackers are raising the number of drilling rigs in oil fields by more than 20%, but it's unlikely it will translate to a similarly sized increase in production. While the number of active U.S. oil-directed rigs has grown by roughly 20% in the past six months, much of the new activity is to make up for a depleted inventory of wells drilled before the pandemic. Frackers brought the best of those online last year instead of drilling new ones and will have to drill more than usual this year to offset those lost wells. Shale executives have pointed to several bottlenecks that limit their ability to increase production quickly this year, including supply-chain issues, wary investors, and limits to their remaining drilling inventory.
- Shares of China Evergrande and two key subsidiaries were halted from trading early in the week pending the release of inside information, pointing to a potential advance in the planned restructuring of the giant developer. Evergrande has amassed more than $300 billion in liabilities and defaulted on some offshore debt in December. In January, Evergrande said it aimed to release a global restructuring plan within six months after some international bondholders threatened to sue the company for failing to engage with them.
- Berkshire Hathaway agreed to buy insurer Alleghany for about $11.6 billion on Monday, as billionaire Warren Buffett's investment vehicle puts some of its massive cash pile to work in a deal that bolsters its insurance arm. Berkshire will pay $848.02 a share in cash for Alleghany, a ~25% premium to last week's closing price of $676.75 and a multiple of 1.26 times the New York company's book value at the end of 2021.

Resource of the week:

- Marko Papic is Partner and Chief Strategist at Clock Tower Group, where he leads the firm's research on macroeconomics and markets. Marko has spent his career at the intersection of finance and geopolitics, making him well suited to speak about current events in Ukraine and their potential impact further afield. In this episode of *Invest Like the Best,* Marko and host, Patrick O'Shaughnessy discuss current events surrounding the conflict in Eastern Europe, the Fed, inflation, China, the Green Energy Transition, and the U.S.'s position in the global order. For an insightful deep dive into the geopolitical landscape, give this episode a listen.
- **Podcast link**: https://www.joincolossus.com/episodes/70558964/papic-a-multi-polar-world?tab=transcript

Sources: The WSJ, T. Rowe Price Global Markets Weekly Update

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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. CPI is often used as a barometer to measure inflation. 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 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.