

## Summit Snapshot: Week of April 18<sup>th</sup>, 2022

### Periodic Returns

	Trailing Week			Quarter-to-Date			Year-to-Date		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	-1.0%	-1.9%	-2.8%	-0.4%	-3.0%	-5.6%	-1.1%	-8.0%	-14.1%
U.S. Mid-Cap	-0.2%	-0.5%	-1.2%	-0.7%	-1.8%	-3.9%	-2.5%	-7.3%	-16.0%
U.S. Small-Cap	1.2%	0.5%	-0.2%	-2.1%	-3.1%	-4.2%	-4.5%	-10.4%	-16.3%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	-2.1%	-3.0%	-7.5%
NASDAQ Composite	-2.6%	-6.1%	-14.5%
International Developed	-0.9%	-2.8%	-8.5%
Emerging Markets	-0.8%	-2.0%	-8.8%
U.S. Aggregate Bond	-0.7%	-2.8%	-8.5%
U.S. Municipals	-0.5%	-1.4%	-7.5%
Corporate High Yield	-0.3%	-1.8%	-6.6%

Source: Morningstar, see 'Disclaimer' for details

### U.S. Equity Markets

- U.S. stocks were mostly down over a shortened trading period last week. Volumes were generally lower given the holiday.
- Small-cap stocks outperformed large-caps and small-cap value/blend was one of the few positive areas of the market last week. Growth securities again trailed value equivalents.
- Last week kicked off the first quarter of earnings for 2022. Several of the big banks, including JPMorgan, reported underwhelming results relative to estimates.
- Within the S&P 500 Index, technology, healthcare, and financials were among the poorest performers. More cyclically exposed sectors – including energy, industrials, and materials – outperformed and all produced positive results last week.
- Analysts polled by FactSet have been lowering first quarter expectations recently reflecting falling business sentiment and the impact of higher inflation on earnings.

### International Equity Markets

- Both developed and emerging international equities declined last week in USD terms, although losses were capped below 1%.
- European equities had modest losses in dollar terms as the euro continued to weaken.
- Japanese stocks were next to flat in local terms but fell ~1.5% in USD terms as the yen continued to weaken.
- Chinese stocks again retreated amidst strict lockdown measures in the face of rising coronavirus cases in several major cities.

## Credit Markets

- Treasury yields continued to march higher last week. The Treasury 10-year yield finished last week above 2.8% - the highest level since late-2018.
- The Treasury yield curve has also continued to steepen at the short end, while the longer portion has flattened. The 20-year yield continues to be above the 30-year yield, reflecting tepid expectations for long-term growth.
- Higher rates have continued to erode year-to-date bond index performance across nearly all portions of the market. The Bloomberg Aggregate Bond Index is now 8.5% lower year-to-date.
- Municipals were also negative for the week and were the recipients of broad spread fund outflows. Municipals lagged Treasuries, although notable new issue deals had strong demand.
- Corporate investment-grade and high-yield bonds also declined last week. Credit spreads continue to be at tight levels reflecting strong corporate fundamentals and still robust level of growth amidst rising rates.

## U.S. Economic Data/News

- Inflation continued to dominate economic headlines and market participants are keen to understand how it will impact corporate earnings. Headline CPI rose 1.2% in March, bringing the year-over-year increase to 8.5%. This figure was slightly above consensus and represents a 40-year high.
- Recent communication coming from Fed officials appears incrementally more hawkish. Last week, Chicago Fed President Charles Evans, who has been historically considered dovish, said at an event that he considers an accelerated pace of rate hikes worth debating.
- The steep move higher in rates is potentially starting to impact demand for bigger purchases, such as houses, cars, and boats. Higher borrowing costs have made financing these items considerably more expensive than they were just several months ago.

## International Economic Data/News

- The European Central Bank (ECB) reaffirmed its plan for an earlier withdrawal of stimulus than previously expected. Currently, asset purchases should end in Q3 of this year, although policymakers stress the importance of remaining flexible.
- UK inflation rose to a 30-year high of 7% in March. UK market futures indicate that the Bank of England is likely to raise its policy rate by another 1% in May.
- Japan's continued commitment to ultra-loose monetary policy at a time when many other central banks are becoming more restrictive has contributed to the yen nearing its lowest level in around 20 years relative to the USD.
- Shanghai's reported coronavirus cases are reaching new highs as the city is in the midst of its worst outbreak since the start of the pandemic. The city's 25 million residents have been under lockdown since late March.
- China's lockdowns are likely to have ripple effects on the local manufacturing sector as many global operations there had to suspend production. Even before this outbreak, China's economy has shown considerable signs of slowing and the Bank of China is evaluating further stimulative measures to help reaccelerate the economy.

## Odds and Ends

- Homeowners are starting to fight back against institutional investors becoming their neighbors. Small groups of neighborhood volunteers are blocking companies from buying single-family homes, rewriting homeownership rulebooks to thwart investor purchases of suburban housing. The reason is that some of these associations now believe that the rise in home purchases by rental investors has

led to a decline in property maintenance and made their neighborhoods less desirable. Investors can also make it more difficult for local families to buy houses.

- Electric car manufacturer, Rivian is off to a tough start in ramping production. The company warned that it, along with the electric car industry, could soon face a looming shortage of battery supplies. According to the Rivian CEO, this challenge could surpass the current computer-chip shortage for EVs. Car companies are trying to lock up limited supplies of raw materials like cobalt, lithium, and nickel that are key to battery making, and many are constructing their own battery plants to put more battery-powered models in showrooms.
- At age 26, Eva Shang is making waves in the hedge fund industry. Ms. Shang is a Harvard dropout whose Legalist Inc., raised \$400 million over the past 6 months. Her technology-powered investment firm focuses on private debt, a hot patch of Wall Street populated mostly by investors with pedigrees from top investment banks and private-equity firms. Legalist's flagship strategy of litigation finance—where fund managers back plaintiff lawsuits in exchange for a percentage of court-awarded judgments—has a record of gross annual returns of around 25%.

#### **Resource of the week:**

- In this episode of the *Masters in Business* podcast, Bloomberg Radio host Barry Ritholtz speaks with Jonathan S. Lavine, who is CIO of Bain Capital Credit and co-managing partner of Bain Capital, a leading private investment firm with some \$160 billion in assets under management. Bain Capital Credit, which has \$40 billion in assets under management, invests across the spectrum of credit strategies, including leveraged loans, high-yield bonds, distressed debt, private lending, structured products, nonperforming loans, and equities. For a far-reaching conversation about the evolution of the modern private equity and credit landscape, give this episode a listen.
- **Podcast link:** <https://www.bloomberg.com/news/audio/2022-04-08/jonathan-s-lavine-on-private-equity-investing-podcast>

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. 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.