

## Summit Snapshot: Week of May 2<sup>nd</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	-3.3%	-3.3%	-3.3%	-5.6%	-8.9%	-12.1%	-6.3%	-13.6%	-20.0%
U.S. Mid-Cap	-3.7%	-3.5%	-3.1%	-5.9%	-7.7%	-11.3%	-7.7%	-12.9%	-22.4%
U.S. Small-Cap	-3.7%	-3.9%	-4.3%	-7.8%	-9.9%	-12.3%	-10.0%	-16.7%	-23.3%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	-3.3%	-8.7%	-12.9%
NASDAQ Composite	-3.9%	-13.2%	-21.0%
International Developed	-2.2%	-6.5%	-12.0%
Emerging Markets	0.1%	-5.6%	-12.1%
U.S. Aggregate Bond	0.0%	-3.8%	-9.5%
U.S. Municipals	-0.3%	-2.8%	-8.8%
Corporate High Yield	-0.9%	-3.6%	-8.2%

Source: Morningstar, see 'Disclaimer' for details

### U.S. Equity Markets

- U.S. stocks fell to their lowest level of 2022, last week, as disappointing earnings and falling sentiment weighed on major indexes. The S&P 500 Index is now nearly 13% lower so far this year.
- Last week was an active earnings week for the mega-cap, tech platform companies. It was a mixed bag, but it again demonstrated how these names continue to have a disproportionate impact on index performance given their extensive concentration.
- All sectors within the S&P 500 Index fell, although the energy and IT sectors were relative outperformers. The consumer discretionary sector was by far the biggest laggard – declining nearly 8%. A sizeable fall in Amazon, an oversized constituent, was mostly to blame for the result.
- Nearly all market caps and styles also declined last week. Growth and value were somewhat evenly matched while small-caps fell more than large-caps.
- The technology-heavy NASDAQ Composite is now off ~21% for the year and continued to fall further into bear market territory.

### International Equity Markets

- International markets generally held up better relative to domestic stocks. Developed, international equities fell, but to a lesser extent than the S&P 500 Index while emerging market equities were slightly positive.
- European shares declined modestly in local terms but to a greater degree in U.S. dollar terms when accounting for weakness in the euro.
- Japanese equities also fell slightly in local terms and were negatively impacted by a declining yen.
- Chinese equities declined but to a lesser extent than other markets in U.S. dollar terms.

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

- The U.S. Treasury curve endured a volatile week of trading as the month-end approached, and as the next FOMC meeting takes center stage.
- 10-year treasury note yields began the week very close to 3%, but as equity markets fell during mixed earnings reports, bonds found some long-awaited support mid-week.
- Rates drifted back up by the end of the week and the 10-year yield closed again near the 3% threshold.
- The 2s/10s curve was slightly flatter in anticipation of the Fed meeting results. Investors expect a 50-basis point move and a schedule for a quantitative tightening of the Fed balance sheet.
- Corporate spreads were modestly wider for the week. Both investment-grade and high-yield corporate funds reported outflows of \$1.2 billion and \$117 million, respectively.
- Primary issuance has started to have more volatility as some companies are deciding to temporarily pull back from the new issue market.
- Despite Treasury volatility, municipals remained stable over the week drifting 1-2 basis points higher.
- Municipal funds continued to see outflows for the 11<sup>th</sup> consecutive week losing \$2.88 billion.
- On a relative basis, municipals have reached the cheapest levels relative to Treasuries since November 2020. The 10-year benchmark currently yields approximately 94% of Treasuries.
- End of tax season selling, valuations attracting crossover buyers, and increased redemptions over the next few months provide possible catalysts for stabilized municipal performance.

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

- The most surprising economic news of the week was that the Commerce Department's advance GDP growth estimate showed that the economy contracted at a 1.4% rate over Q1, versus estimates for a 1.0% expansion.
- Falling inventory and a record trade deficit were largely to blame for the underwhelming GDP number. While the negative GDP print is concerning, many economists still believe that strong consumer spending and business investment could offset the potential for a recession or two consecutive quarters of economic contraction.
- There were some signs that inflation could be slowing. The year-over-year increase in the core personal consumption expenditures (PCE) price index, eased to 5.2% in March, its first deceleration in over a year. The year-over-year headline PCE measure advanced to a 40-year high of 6.6% but also missed estimates. Last, new home sales slowed but this is also likely because of higher mortgage rates.

## **International Economic Data/News**

- The European Commission is working on its sixth round of sanctions against Russia which will likely include a form of an oil embargo. As it is, Russia's state-operated Gazprom stopped gas shipments to Bulgaria and Poland for failing to pay in rubles.
- Eurozone growth remained positive but slowed to 0.2% over Q1, which was below forecasts. Inflation accelerated last month, rising to 7.5% - the highest level since the formation of the euro.
- The Bank of Japan (BoJ) maintained its dovish stance as many central banks around the globe are becoming more restrictive to tame inflation. Japan's commitment to ultra-easy monetary policy has sent the yen to nearly a 20-year low versus the U.S. dollar.
- Chinese regulators appear poised to act to support its slowing economy and curb the impact of restrictive COVID-19 lockdowns. Actions could include tax cuts, consumption support, and infrastructure spending.

## Odds and Ends

- With Berkshire Hathaway’s annual meeting currently in full swing, there are several good one-liners from the ‘Oracle of Omaha’, Warren Buffett. Recently, his unwavering take on Bitcoin has made headlines. He stated that Bitcoin is not a productive asset and it doesn’t produce anything tangible. Despite a shift in public perception about bitcoin, Buffett still wouldn’t buy it. “Whether it goes up or down in the next year, or five or 10 years, I don’t know. But the one thing I’m pretty sure of is that it doesn’t produce anything,” Buffett said. “It’s got a magic to it and people have attached magic to lots of things.”
- Spirit Airlines Inc. refused a \$3.6 billion cash takeover bid from JetBlue on the basis that the deal likely can’t be completed, and it is sticking with plans to merge with rival budget carrier Frontier. JetBlue’s offer for Spirit came with a higher price tag than Frontier’s cash-and-stock offer, which was originally valued at \$2.9 billion. However, Spirit’s board said it believed there was too much risk that regulators would bar a merger with JetBlue, even after JetBlue pledged to shed assets to win regulatory approval and to pay a \$200 million breakup fee if it was unable to complete the proposed acquisition for antitrust reasons.
- Companies nationwide are struggling to get employees back in the office, but surprisingly not in Austin. Austin offices are nearly 60% occupied, according to data from Kastle Systems, an office-security firm that records workers’ comings and goings by measuring badge swipes into skyscrapers and corporate campuses. Austin’s nearby neighbor Dallas is several percentage points behind at 49% occupancy. San Jose, Calif., another hub of tech workers, has the lowest occupancy rate in the U.S. cities measured by Kastle Systems at 31%. Nationwide, offices in the 10 largest U.S. markets, from New York City to Los Angeles, are hovering around 40% occupancy.

## Resource of the week:

- Dmitry Balyasny is the Managing Partner and CIO of Balyasny Asset Management otherwise known as BAM. BAM runs a multi-strategy multi-PM model that aims to produce consistent, absolute returns. Since its founding in 2001, it has produced only one negative year and has become one of the largest firms of its kind. In this episode of *Invest Like the Best*, host Patrick O’Shaughnessy and Dmitry cover the origin story of his unique multi-strategy firm, the common traits that great portfolio managers share, and how to incentivize talented investors. Give this episode a listen to get an insight into the multi-PM hedge fund world and to better understand how it has translated to consistent performance and longevity to a handful of well-funded firms.
- **Podcast link:** <https://www.joincolossus.com/episodes/36513013/balyasny-building-a-better-model?tab=blocks>

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.

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