Summit Snapshot: Week of June 6th, 2022

Periodic Returns

	Trailing Week			Quarter-to-Date			Year-to-Date		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	-1.4%	-1.1%	-0.9%	-4.3%	-9.4%	-14.4%	-5.0%	-14.1%	-22.1%
U.S. Mid-Cap	-1.3%	-1.2%	-0.8%	-4.5%	-7.6%	-14.0%	-6.2%	-12.9%	-24.8%
U.S. Small-Cap	-0.1%	-0.2%	-0.3%	-5.1%	-8.8%	-12.9%	-7.4%	-15.7%	-23.9%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	-1.2%	-9.0%	-13.2%
NASDAQ Composite	-1.0%	-15.4%	-23.0%
International Developed	-0.3%	-6.1%	-11.7%
Emerging Markets	1.8%	-6.6%	-13.1%
U.S. Aggregate Bond	-0.9%	-3.6%	-9.3%
U.S. Municipals	0.3%	-1.1%	-7.3%
Corporate High Yield	-0.3%	-3.7%	-8.4%

Source: Morningstar, see 'Disclaimer' for details

U.S. Equity Markets

- U.S. stocks pulled back after a significant reversal rally two weeks ago. Investors remained concerned over the Fed's ability to tame inflation without stifling growth.
- Within the S&P 500 Index, industrial and energy stocks were top performers maintaining market leadership so far this year. The consumer discretionary sector also performed well, boosted by strong results from Amazon.com, a sizeable constituent. The healthcare and real estate sectors were notable laggards.
- In a reversal from earlier in the year, growth stocks generally outpaced value stocks for the week, although they were still negative. Small-caps also led large-caps.
- Volatility (as measured by the VIX) remained elevated in 2022, although it hasn't broken out to levels seen in prior major selloffs. So far this year, the VIX has spiked to the mid-30s where it soared above 80 during the COVID selloff.

International Equity Markets

- Developed, international equities fell while emerging market stocks were standout performers, rising 1.8% in U.S. Dollar (USD) terms.
- European equities fell modestly in both local and USD terms on light volume.
- Japanese equities generated strong gains but lost all of it when translated back to USD due to further yen weakening.
- Chinese equities rallied last week after Beijing introduced a series of new measures to help support the economic slowdown triggered by the zero-tolerance COVID-19 policy.

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

- The 10-year yield rose to 2.93%, while the 30-year yield rose to 3.09% at the close of last week.
- Corporate investment-grade spreads were modestly tighter on the week, although the U.S. Aggregate Index still declined due to losses from duration.
- Corporate investment-grade funds recorded $3.0 billion of outflows while corporate high yield funds realized sizeable inflows of $4.8 billion.
- Weekly issuance volume reported closer to the higher end of the dealer's expectation at nearly $30 billion.
- Municipals continued positive performance last week with yields 3-7 basis points lower, outperforming Treasuries across the curve.
- The recent muni rally supported by attractive relative value levels and crossover buyers saw yields move lower by 35-40 basis points. The divergence from Treasuries over the last two weeks has moved relative valuations towards the richer side of historical fair value. Securities in the 0-10 year space which were trading at 85%-95% of Treasury have richened to 70%-80%.
- Municipal technical factors are supportive over the next few months as maturities/coupon payments will outpace new issuance as well as a seemingly slowing/reversal of fund outflows.
- After 15 consecutive weeks of outflows, municipal funds saw a reversal adding $1.2 billion for the week ending Wednesday.

U.S. Economic Data/News

- The May jobs number beat estimates with 390,000 added versus the 318,000 surveyed. This relatively steady pace of job growth is in line with recent months. The unemployment rate came in at 3.6% versus the 3.5% estimated and was unchanged from the prior month.
- All eyes are on the upcoming Federal Open Market Committee (FOMC) meeting, with street consensus calling for a 50-basis point move. This falls in line with comments made earlier this week by Federal Reserve Vice Chairwoman Lael Brainard. She relayed it would be appropriate for the central bank to raise interest rates by a half percentage point at the June meeting and again in July. She also suggested the possibility of aggressive rate hikes into September.
- Treasury Secretary Janet Yellen admitted she was wrong about inflation. In an interview with CNN, "there have been unanticipated and large shocks to the economy that have boosted energy and food prices and supply bottlenecks that have affected our economy badly that I didn't, at the time, fully understand," said Yellen.
- Many notable business leaders expressed concerns about the future path of the economy. Notably, JPMorgan CEO Jamie Dimon that an economic "hurricane" was coming because of rising interest rates and elevated commodity prices. Then last Friday, Elon Musk had emailed fellow executives that Tesla might have to lay off 10% of its workforce and that he had a "super bad feeling" about the global economy.

International Economic Data/News

- Eurozone inflation reached a new all-time high in May, rising 8.1% and appeared to broaden out through the economy.
- ECB policymakers seem to be incrementally more in favor of transitioning to positive rates and ending the asset purchase program early in Q3. Rate normalization in the eurozone will likely start gradually with 25 basis point increments and then potentially accelerate from there.
- The Bank of Japan (BoJ) remains one of the few developed nations to stay committed to easy monetary policy amidst rising inflation. According to BoJ policymakers, while short-term inflation has risen, medium-to long-term inflation prospects are still low.
- China's government announced a host of stimulative measures last week to support its stumbling economy – further pushed down by highly restrictive COVID regulations. This included 33 different fiscal, financial, investment, and industrial policies.

Odds and Ends

- Elon Musk threatened to terminate his deal to buy Twitter in a letter accusing the company of not complying with his request for data on the number of spam and fake accounts on the social media platform. In April, Twitter accepted Mr. Musk's $44 billion bid to take over the company and go private. In a letter to Twitter Chief Legal Officer Vijaya Gadde, Mr. Musk's lawyer Mike Ringler said Mr. Musk is entitled to the requested data, in part so that he can facilitate the financing of the deal.
- The White House is announcing that it won't impose any new tariffs on solar imports for two years, in a move that is aimed at getting stalled solar-power projects on track. The decision is a win for U.S. solar developers and utilities—which are highly dependent on imported solar panels—and a loss for manufacturers trying to build up a domestic solar supply chain. The decision comes after the Commerce Department's decision to investigate whether Chinese solar producers are illegally circumventing solar tariffs by routing operations through four countries in Southeast Asia.
- Amazon.com enacted a 20-for-1 split early this week and is among companies whose stocks have tumbled since the moves were announced amid a broad market selloff that's been especially painful for the technology sector. Shares of the e-commerce giant rose modestly after the split, but shares are still down about 10% since reporting the plan in March. Alphabet, which announced a similar proposal in February, is down nearly 20% since then.

Resource of the week:

- Billy Libby is the co-founder of Upper90, a firm that invests in a hybrid of debt and equity in early-stage technology companies to help founders scale efficiently. Billy partnered with Jason Finger, the founder of Seamless, to address a capital structure inefficiency in the venture world. Upper90 has deployed $1 billion of capital for an LP base of more than 300 entrepreneurs. Host, Ted Seides's conversation covers Billy's background in electronic trading, the formation of an investment club that brought together quantitative investors and tech founders, and the evolution of that club into Upper90. The pair also discuss Upper90's approach to investing in tech start-ups, use of data to find lendable opportunities, sourcing, and diligence of deals, and lots of examples along the way.
- **Podcast link**: https://capitalallocators.com/podcast/disruptive-venture-funding-at-upper90/

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.

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