Summit Snapshot: Week of August 29th, 2022

Periodic Returns

	Trailing Week			Quarter-to-Date			Year-to-Date		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	-2.7%	-3.3%	-3.8%	7.2%	9.8%	12.3%	-6.6%	-13.2%	-19.2%
U.S. Mid-Cap	-3.2%	-3.4%	-3.8%	9.0%	10.4%	13.0%	-8.7%	-13.4%	-22.0%
U.S. Small-Cap	-3.9%	-3.6%	-3.3%	10.7%	12.3%	14.0%	-8.5%	-14.0%	-19.6%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	-3.2%	9.6%	-12.3%
NASDAQ Composite	-4.3%	12.4%	-20.5%
International Developed	-2.6%	3.0%	-17.1%
Emerging Markets	-2.3%	-0.1%	-17.7%
U.S. Aggregate Bond	-0.9%	0.3%	-10.1%
U.S. Municipals	-0.5%	1.1%	-8.0%
Corporate High Yield	-1.5%	5.4%	-9.6%

Source: Morningstar, see 'Disclaimer' for details

U.S. Equity Markets

- U.S. stocks ended the week sharply lower following a more hawkish tone than anticipated from Powell's Jackson Hole speech.
- Losses were broad-based with every S&P 500 sector except energy finishing in negative territory.
- Higher growth-focused sectors generally fared the worst. Securities within the IT, communication services, and consumer discretionary sectors were generally the poorest performers. The Nasdaq Composite fell to its lowest level in over a month.
- Higher commodity prices supported the energy sector, which finished up over 4%. The materials sector was negative but had a more modest loss relative to other portions of the market.
- Growth fell behind value names over the week. Leadership amongst market-caps was more mixed.
- Year-to-date, value shares continue to lead growth stocks while large-caps retain a modest lead over small-caps.

International Equity Markets

- Both developed and emerging non-U.S. equities declined last week, although to a lesser degree than U.S. stocks.
- European shares declined in both local and USD terms. The potential for tighter policy actions from the ECB weighed on sentiment.
- Japanese shares also declined but losses were more modest. The yen gained some slight ground relative to the USD, after a recent period of sustained weakness.
- Chinese equities were a select area of strength reflecting supportive government economic and regulatory measures.

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

- Following the remarks out of Jackson Hole, U.S. Treasury yields climbed led by the front end. The yield on the 2-year note closed near weekly highs of 3.40%. The 10-year note was also higher, closing at 3.04%. The spread between the 2- and 10-year notes inverted deeper at 0.36%.
- Corporate investment grade funds recorded outflows last week of $806 million. High-yield funds suffered significantly larger outflows of $4.57 billion. This was the second biggest outflow for high yield funds this year according to Lipper.
- Corporate primary issuance last week was light due to late summer markets and more importantly, the pending market reaction to Jackson Hole speeches.
- Municipal yields traded with Treasuries moving 5 – 11 basis points higher across the curve in a lighter and cautious trading week heading into Jackson Hole.
- On a relative basis, municipal valuation ratios moved closer to fair value across the curve (approximate values as of mid-day 8/26):
    - 2 year - 65%
    - 5 year - 70%
    - 7 year - 75%
    - 10 year - 83%
- Municipal funds saw outflows rise to $1.2 billion for the week that ended last Wednesday.

U.S. Economic Data/News

- It was a busy week for August with several key economic indicators out, along with the Fed's annual Jackson Hole Symposium. Rates were headed higher late in the week ahead of Fed Chairman Jerome Powell's speech. The overall tone of his speech was read hawkish, with restrictive policy in play for the foreseeable future.
- Chairman Powell reiterated the goal to bring inflation back below 2%, with price stability the Fed's main priority as high inflation continues to spread through the economy.
- It was an active week for economic data, much of which was disappointing:
    - Earlier in the week, data showed the U.S. economy contracted slower than expected in Q2.
    - Last Tuesday, S&P announced that its composite gauge of service activity had fallen further into contraction territory and hit its lowest level since early 2020.
    - Spending was supposed to be up, but also came in slower at 0.1% versus the 1.1% last month.
    - New home sales fell for the sixth month so far this year in July.
    - Friday morning saw a disappointment in personal income, with July up 0.2% compared to the 0.6% surveyed.
- That said, it wasn't all bad news. On the positive front:
    - The University of Michigan's read on 5–10-year inflation came in better than expected at 2.9% versus 3.0%
    - Initial Jobless Claims came in lower at 243,000, versus the 252,000 surveyed and 250,000 the prior month.
    - Consumer sentiment rose more than expected to 58.2. It bottomed in June at 50.

International Economic Data/News

- Minutes from the recent ECB policy meeting suggested that more rate hikes could be on the horizon to help tame inflation. That said, the notes also acknowledged that signs of an economic downturn had increased which could cause them to take their foot off the gas.
- German surveys of consumer and business confidence hit fresh all-time lows reflecting bearish sentiment around higher energy costs. Recessionary fears and the ongoing conflict in Ukraine also weighed on people's outlook.
- Japanese Government Bond (JGB) 10-year yields rose to a six-week high following similar increases in other

developed markets. That said, yields remain well below other nations with Japan's 10-year sovereign debt currently yielding 0.23%.

- Beijing recently introduced a handful of measures to prop up China's economy. This included enhanced bank liquidity, lower key interest rates, and government guarantees behind property developers' bonds.

Odds and Ends

- Singapore's GIC, one of the world's biggest sovereign-wealth funds, and its U.S. partner are buying a majority stake in 53 suburban office buildings in a deal valuing the properties at $1.1 billion. The transaction represents a major bet that remote work will boost demand for workplaces close to residential areas. GIC is investing alongside Workspace Property Trust, a privately held commercial real estate firm based in Boca Raton, Florida. The deal will nearly double Workspace's holdings to around 18 million square feet. Many of the newly acquired buildings are clustered around Atlanta, Dallas, and the San Francisco Bay Area.
- NASA scrubbed a planned launch of its powerful rocket on early Monday, representing a setback for the agency as it looks to restart its lunar ambitions. NASA had planned to launch the uncrewed Artemis I mission, a potentially big step for the space agency as it pushes to put astronauts on the moon for the first time since 1972. The test mission, along with a series of planned follow-up flights in the years ahead, largely hinges on NASA's Space Launch System, a 322-foot-tall rocket, and the Orion spacecraft, which will carry crew members on future lunar missions. The mission was scrubbed after agency engineers needed more time to work out why one of four major engines on the Space Launch System rocket couldn't get to the needed temperature range for liftoff.
- Honda and LG Energy Solution are partnering to build a $4.4 billion electric-vehicle battery factory in the U.S., the latest tie-up between automakers and battery suppliers seeking to expand capacity by sharing upfront costs. The companies plan to begin construction of the factory early next year and start mass production by the end of 2025. The factory aims to have an annual production capacity of about 40 gigawatt-hours and will supply its output exclusively to Honda facilities in North America. The companies didn't disclose where in the U.S. the factory would be built, but people familiar with the matter said it was planned for Ohio.

Resource of the week:

- Carla Harris is a Senior Client Advisor at Morgan Stanley, the most recent of many posts in her 35-year career at the firm that included serving as Vice Chairman of Wealth Management, heading the Emerging Manager platform, and running deals for decades as an investment banker and capital markets professional. She is the author of three books about navigating careers and leadership, Expect to Win, Strategize to Win, and the upcoming Lead to Win, each of which contains lessons she dubs "Carla's Pearls." In the last few years, Carla added Board seats to her professional portfolio and currently serves on a host of Boards including SEO, Harvard University, Walmart, and MetLife. This conversation offers Carla's pearls of wisdom in navigating a career from her earliest days on the Street and covers her background, path to Wall Street, framing a personal narrative, learning what's important to an organization, being authentic, taking career risks, and evolving multicultural opportunities in asset management. Please enjoy this conversation with Carla Harris.
- **Podcast link**: https://capitalallocators.com/podcast/pearls-of-career-wisdom/

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

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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.