

Periodic Returns

| | Trailing Week | | | Quarter-to-Date | | | Year-to-Date | | |
|----------------|---------------|-------|--------|-----------------|-------|--------|--------------|-------|--------|
| | Value | Blend | Growth | Value | Blend | Growth | Value | Blend | Growth |
| U.S. Large-Cap | -0.2% | 1.9% | 3.9% | 2.6% | 2.7% | 2.7% | 2.6% | 2.7% | 2.7% |
| U.S. Mid-Cap | 0.3% | 0.8% | 1.8% | 3.9% | 4.0% | 4.1% | 3.9% | 4.0% | 4.1% |
| U.S. Small-Cap | 1.3% | 2.2% | 2.9% | 9.2% | 9.8% | 10.4% | 9.2% | 9.8% | 10.4% |

| | Trailing Week | Quarter-to-Date | Year-to-Date |
|-------------------------|---------------|-----------------|--------------|
| S&P 500 Index | 2.0% | 2.4% | 2.4% |
| NASDAQ Composite | 4.2% | 5.1% | 5.1% |
| International Developed | 0.7% | 2.5% | 2.5% |
| Emerging Markets | 2.6% | 7.9% | 7.9% |
| U.S. Aggregate Bond | 0.0% | -0.7% | -0.7% |
| U.S. Municipals | 0.2% | 0.2% | 0.2% |
| Corporate High Yield | 0.1% | 0.5% | 0.5% |

Source: Morningstar, see 'Disclaimer' for details

U.S. Equity Markets

- U.S. equities continued to climb higher over the week benefiting from high hopes of future stimulus.
- Despite lagging earlier in the year, growth equities resumed their march higher and outperformed value stocks for the week.
- Within the S&P 500 Index, the communication services sector was the strongest performer – helped by Netflix reporting impressive subscriber growth during its earnings release. The IT sector also performed well, bolstered by expectations for strong earnings in the coming weeks.
- Energy and financials were amongst the bottom performing sectors for the week. That said, the energy sector remains the best performing sector so far this year, rising 11%.
- Performance across market-caps was varied based on investment style. Tech's leadership in the mega-cap space supported the large-cap growth portion of the market. On the other hand, small-caps outperformed within the value segment.
- Recent trading volumes have been unusually high in part indicating heavy participation by retail investors.

International Equity Markets

- Developed, international equities generally lagged U.S. counterparts while emerging market equities fared better.
- European stocks were little changed based on renewed coronavirus concerns and prolonged lockdowns.
- Japanese stocks also finished the week at a similar level as the Bank of Japan Policy Committee left long- and short-term rates unchanged.
- Chinese equities rose after positive announcements and hopes of better relations with the U.S. under the new administration.

Credit Markets

Perspectives from our Partners at Piton Investment Management

- Yields on the U.S. Treasury ten-year have remained range-bound this past week, currently around ~1.09%.
- The curve was slightly steeper on the week and the spread between the 5-year and 30-year bond reached highs of ~1.42%.
- Corporate spreads were modestly wider last week. The investment-grade market saw large inflows while the high yield market had outflows.
- Munis slightly outperform treasuries. The municipal market continues to be supported by supply/demand dynamics, continued inflows, as well as anticipation of additional stimulus and changes in tax policy.
- Inflows into municipal funds continued for the 11th straight week adding \$2.38 billion for the week ended 1/20.
- Expanded fixed income commentary from Piton can be found using this [link](#).

U.S. Economic Data/News

- Expectations for additional stimulus have steadily increased to combat the massive economic toll left by the pandemic. Treasury Secretary nominee Janet Yellen told the Senate Finance Committee that it was necessary to “act big” to help the economy deal with lockdowns and high unemployment.
- President Biden remains committed to vastly enhancing the distribution of vaccines domestically and is standing by his plan to complete 100 million vaccinations within the first 100 days of his presidency. Newly emerging strains and supply bottlenecks could complicate this initiative.
- President Biden was quick to roll back many of former President Trump’s more controversial policies. This includes seeking to rejoin the WHO and the Paris Climate Agreement.
- The U.S. housing market continued to be a source of economic strength. Existing home sales and housing starts hit their highest level since 2006 as supply remained historically low.
- Weekly jobless claims fell back from multi-month highs but were still elevated at 900,000.

International Economic Data/News

- European governments generally extended lockdown measures amidst the concerning pace of new infections across much of the continent. Stricter measures are likely to persist to help combat new, more infectious strains of the virus.
- EU Economic activity contracted for the third month in a row, reflecting more restrictive lockdown measures. PMI data suggested that business activity contracted at a faster rate than in January with the service sector being the hardest hit.
- Japan lowered its GDP growth forecast for the fiscal year ending on March 31, 2021, to -5.6%, down from -5.5%. Lowered expectations reflect the high degree of uncertainty surrounding the impact of the pandemic at home and abroad.
- China’s economy continued to gain momentum and grew by 2.3% in 2020. A positive growth figure over last year reflects a remarkable recovery for the original epicenter of the global pandemic.

Odds and Ends

- China overtook the U.S. as the top place for new foreign investment in 2020. This latest stat reflects both China’s quicker recovery from the pandemic as well as the global economic shift eastward as China and other Asian countries see their economies bolstered by the emerging middle class. New foreign investments into the U.S., which held the number one spot for decades, fell 49% in 2020.
- GameStop’s stock (ticker: GME) hit a new all-time high Monday despite a widely held notion that the company’s model of selling physical video games has been in structural decline. In 2021 alone, the stock has risen nearly five-fold. The rapid stock price rise is likely due to a combination of it being highly shorted and



individual investors piling into the stock and associated options after encouraging each other on social media.

- Budweiser decided to skip their infamous Super Bowl ad this year in favor of a marketing campaign encouraging COVID-19 vaccinations. Budweiser said it is committing \$1 million of ad inventory to vaccine awareness and education work by the Ad Council, a nonprofit that helps make public service campaigns, and to COVID Collaborative, a coalition of experts and institutions in public health and other areas. The company noted that it still will reach Americans during the game but just not in the traditional sense.

Resource of the Week

- Fran Kinniry is a 23-year veteran at Vanguard, where he's led the teams that spearhead Vanguard's research into new products. Fran helped Vanguard enter the direct advice business, developed Vanguard's Advisor Alpha concept, started its Investment Strategy Group, and most recently, has headed Vanguard's latest initiative investing in private equity. This conversation with Capital Allocators Ted Seides, covers an overview of Vanguard's business, Fran's roles over a quarter-century at the firm, behavioral coaching, and the latest asset class foray. They also discuss the research process that led to the introduction of private equity, potential scale across institutional and retail clients, the timing of the decision, fees, and manager selection. The chat closes discussing Vanguard's cooperative ownership model, compensation, and the future of index funds. This episode is worth a listen for insight into what one of the industry leaders is up to.
- Podcast link: <https://capitalallocatorspodcast.com/2021/01/17/kinniry/>

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

Disclaimer

This commentary was written by Craig Amico, CFA®, CIPM®, Senior Investment Analyst, Noreen Brown, CFA®, Director of Portfolio Management and Steven Melnick, CFA®, Senior Investment Analyst 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 to sell securities. Summit is an investment adviser and offers asset management and financial planning services. Indices are unmanaged and cannot be invested into directly. The Sustainable Spotlight portion of this report is written and provided by Seeds Investor LLC (“Seeds”). Seeds is an SEC Registered Investment Advisor which is not affiliated with Summit. The market return chart 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 BBgBarc US Agg Bond TR USD Index, U.S. Municipals by the BBgBarc Municipal TR USD Index, and Corporate High Yield by the BBgBarc US Corporate High Yield TR USD Index. The Wilshire 5000 Total Market Index measures the performance of all U.S.-headquartered equity securities with readily available price data. The Standard & Poor’s 500 Index (S&P 500) is an unmanaged group of securities considered to be representative of the stock market. The Russell 2000 Index is a market-cap weighted index comprised of the smallest 2,000 companies within the Russell 3000 Index, a larger market-cap index made up of the largest 3,000 publicly traded companies in the U.S., nearly 98% of the investable U.S. stock market. The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. The MSCI Europe Index captures large- and mid-cap representation across 15 Developed Markets countries in Europe, covering approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe. The MSCI Emerging Markets (EM) Index captures large- and mid-cap representation across 26 Emerging Markets countries, covering approximately 85% of the free float-adjusted market capitalization in each country. The MSCI Japan Index captures large- and mid-cap representation of the Japanese market, covering approximately 85% of the free float-adjusted market capitalization in Japan. The Bloomberg Barclays U.S. Aggregate Bond Index is a market capitalization-weighted index comprising Treasury securities, Government agency bonds, mortgage backed bonds, corporate bonds, and some foreign bonds traded in the U.S. The Bloomberg Barclays Global Aggregate Ex U.S. Index measures the performance of global investment grade fixed-rate debt markets that excludes USD-denominated securities. The Bloomberg Barclays Municipal Bond Index covers the U.S. dollar-denominated long-term tax-exempt bond market. Created by the Chicago Board Options Exchange (CBOE), the Volatility Index, or VIX, is a real-time market index that represents the market’s expectation of 30-day forward-looking volatility. Data in this newsletter is obtained from sources which 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.

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