# Monthly Update

## October 2020

KANDOR GLOBAL

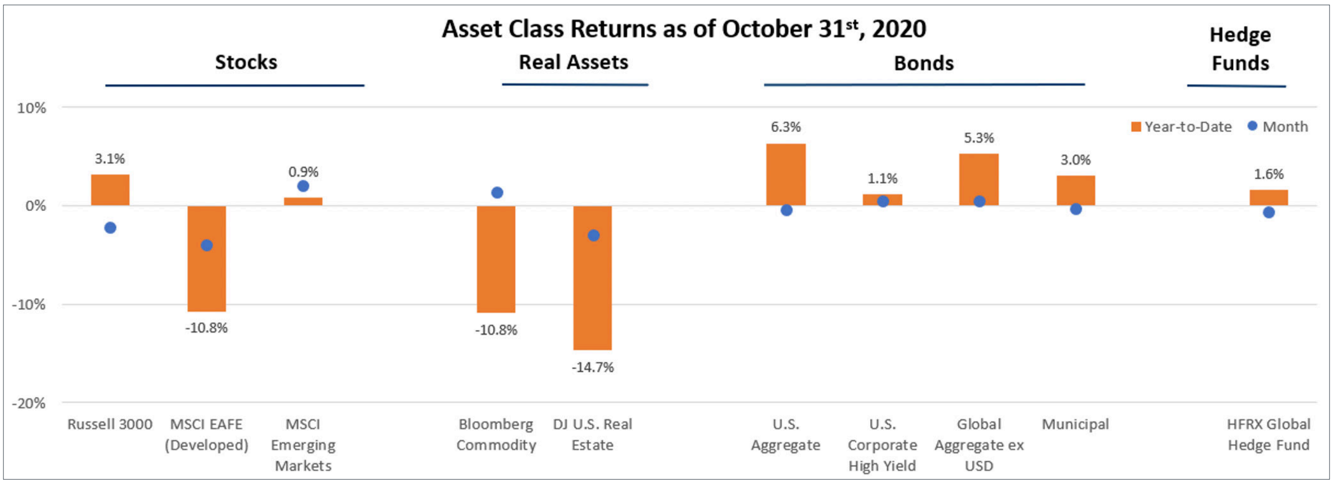
October was a challenging month for investors with the broad stock and bond markets both posting negative returns. Even as the global economy seemed to be recovering, investors grappled with contentious U.S. elections that were difficult to predict and a resurgence of the coronavirus in the U.S. and Europe. At month-end, additional fiscal support and progress on a safe vaccine for COVID-19 had not yet materialized, raising the specter of a difficult winter. As could be expected in this uncertain environment, stock market volatility was elevated with losses across most geographic regions and sectors. Other market behavior was more surprising. Safe-haven investments such as U.S. Treasuries and gold declined even as traditional "risk on" investments like high yield bonds and industrial commodities outperformed.

U.S. GDP surged at an annualized rate of 33.1% over the third quarter, ahead of consensus estimates of closer to 31%. Despite the strong rebound, economic activity remained below pre-pandemic levels. In the U.S., job gains have slowed but remained healthy even as temporary government census workers came off the payroll. Unemployment has dropped below 7%, but millions of jobs lost during the pandemic have yet to return. Consumer confidence continued to improve and retail sales gains have far surpassed expectations. Globally, trading and manufacturing activity continued to pick up, particularly in Asia Pacific. However, major European countries imposed stricter lockdown measures to help contain a recent surge in COVID-19 cases and local measures to expand business activity reached a stand still in the U.S. New restrictions and the onset of winter in some areas may be a blow to future economic growth.

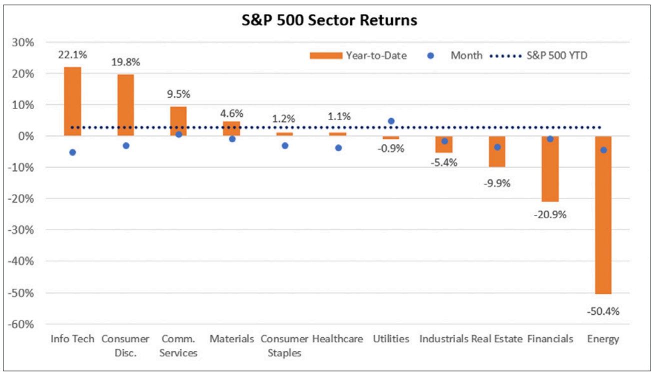
Although the major stock markets lost ground for the month, emerging markets and small cap stocks were bright spots. All U.S. equity sectors, except for utilities, lost ground for the month. Small companies are believed to particularly benefit from stimulus spending and may have benefited from fears that large technology companies had become too expensive. An increase in corporate transaction activity may also be a tailwind for small companies in a post-pandemic economy. Bond market results were also dismal, with only high yield and international bonds generating positive returns. Rising interest rates led to negative returns for U.S. Treasuries and most high-grade sectors. High yield bonds outperformed high quality corporate and municipal bonds. The high yield default rate continued to climb, surpassing 6%. With most developed market benchmark rates under 1%, high yield and emerging market bonds are the only source of material bond yields.

The outcome of the U.S. elections and the potential policy implications have preoccupied investors for months. Despite the political turmoil, it seems the U.S. government will remain divided between Democrats and Republicans. It is important to remember that government spending, taxation and other policy changes that impact economic growth, consumer behavior and corporate profitability may be more muted and gradual than expected. The Federal Reserve will provide consistency and will likely continue policies that keep interest rates low and financial markets functioning. Over time, there may be winners and losers at the sector level. There seems to be bi-partisan support for infrastructure spending and greater regulation of large technology companies. Other sectors, such as energy and health care, may face fundamental changes. The past month has once again shown that market behavior is unpredictable and diversification can protect investment portfolios from some losses. We urge investors not to make significant changes to portfolio allocations based on short-term uncertainty and timing decisions.

# Market Data




*Morningstar®, bond indices from Bloomberg Barclays*

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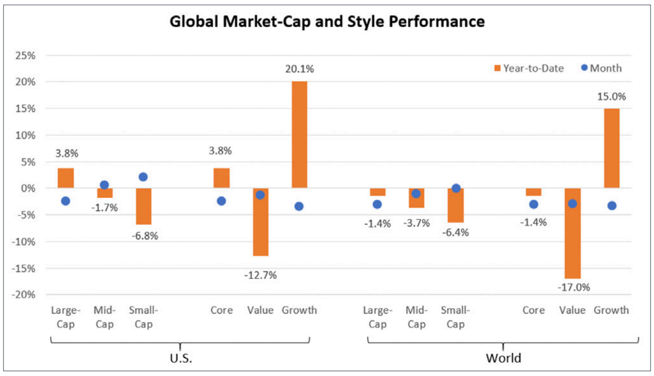
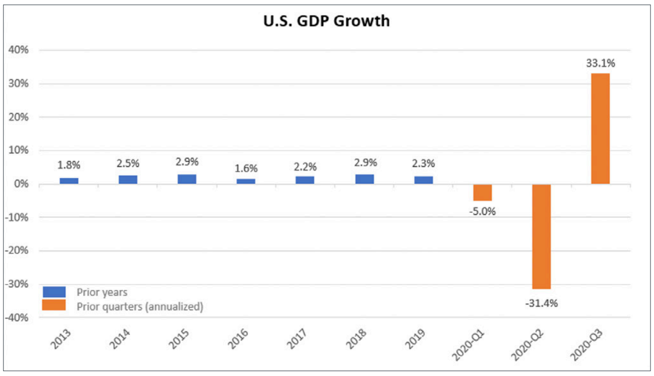
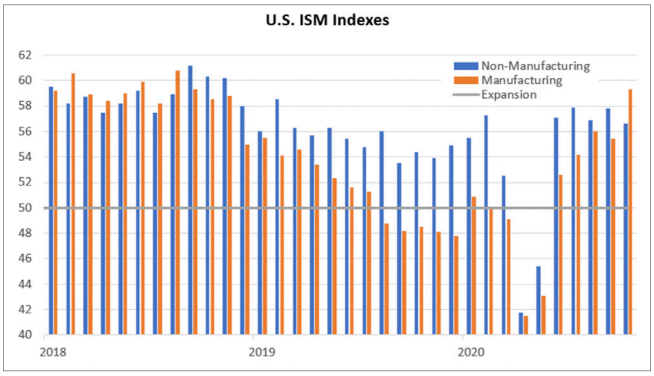



*Bloomberg; U.S. indices from Russell and World indices from MSCI*

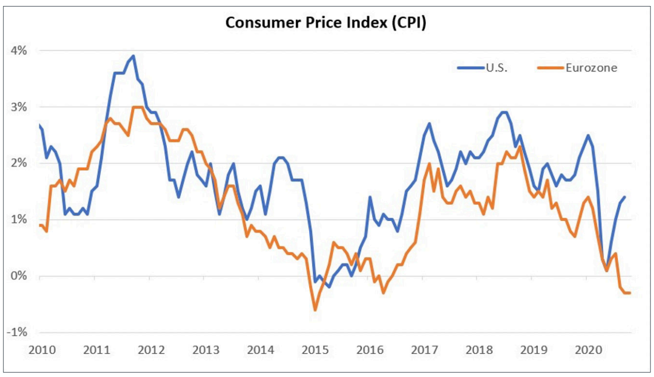
# Economic Data



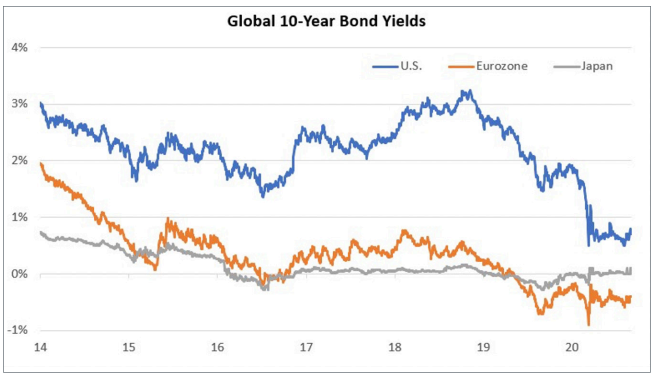

*U.S. Department of Commerce*




*Institute for Supply Management*




*U.S. Bureau of Labor Statistics*

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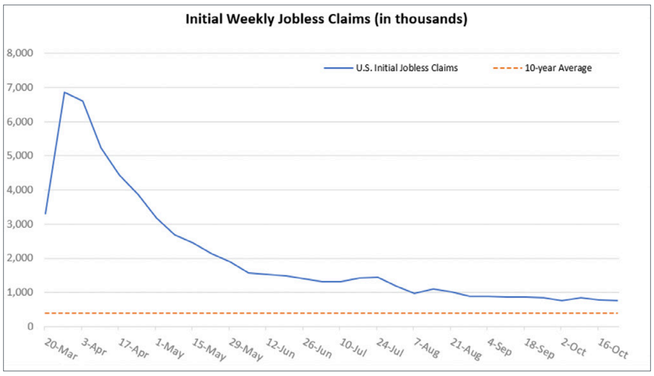
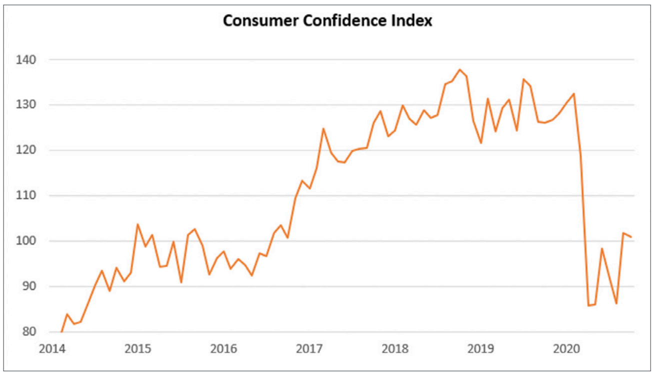
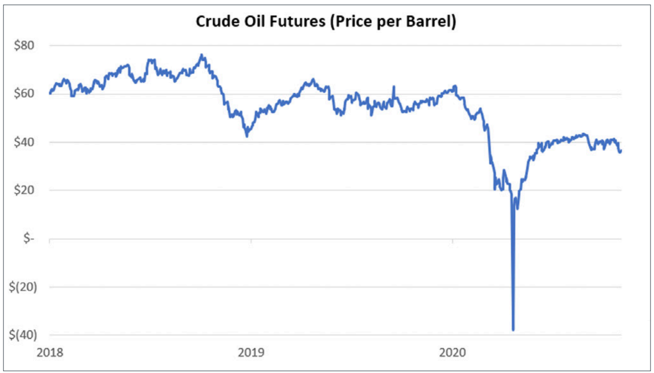



*U.S. Department of Labor*




*Conference Board*

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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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