

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%	-0.4%	-0.9%	1.0%	-2.5%	-5.7%	1.0%	-2.5%	-5.7%
U.S. Mid-Cap	-0.1%	-0.8%	-2.1%	-0.2%	-3.5%	-9.5%	-0.2%	-3.5%	-9.5%
U.S. Small-Cap	0.3%	-0.8%	-2.0%	0.4%	-3.7%	-7.7%	0.4%	-3.7%	-7.7%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	-0.3%	-2.1%	-2.1%
NASDAQ Composite	-0.3%	-4.8%	-4.8%
International Developed	0.2%	-0.1%	-0.1%
Emerging Markets	2.6%	2.1%	2.1%
U.S. Aggregate Bond	-0.3%	-1.8%	-1.8%
U.S. Municipals	-0.2%	-0.9%	-0.9%
Corporate High Yield	0.1%	-0.9%	-0.9%

Source: Morningstar, see 'Disclaimer' for details

Resource of the Week

- In this episode of Masters in Business, host Barry Ritholtz speaks with Jim McKelvey, a co-founder and board member of the famous, publicly-traded financial payments company Square. He also is the author of "The Innovation Stack: Building an Unbeatable Business One Crazy Idea at a Time" which talks about his storied career starting different successful companies, and even serving as an independent director and chairman of the Federal Reserve Bank of St. Louis. Jim is also known by a motto that he lives by, "do something that has never been done." He believes in thinking outside of the box and even being disruptive in business results in stages of innovation and even success. Please enjoy this conversation to hear more insight from a respected billionaire and business entrepreneur.

- [Podcast link](#)

U.S. Equity Markets

- Most stocks' prices fell last week as company earnings slowly started to trickle in for the fourth quarter.
- Some stocks that defined the week's news include JPMorgan Chase (JPM) and Citigroup (C) which both reported their fourth-quarter profit fell as much as 26%. Bank executives expect profit margins to decline further this year. Take-Two Interactive Software (TTWO) which created "Grand Theft Auto" and "NBA 2K" is buying Zynga to soon offer other games like "Words With Friends" and "FarmVille" expanding its audience. TTWO's price subsequently fell 13% on Monday. Albertsons (ACI) initially experienced strong quarterly profit and sales growth amidst higher-priced groceries but has also suffered through supply chain challenges and employee retention issues. Its stock price fell nearly 10% on Tuesday.
- Within the S&P 500 sectors, consumer discretionary, real estate, and utility stocks all fell more than 1% while the energy sector spiked more than 5% as oil prices climbed higher.
- Value stocks were once again positive for the second straight week of 2022 and handily beat their growth counterparts. Meanwhile, large-cap stocks marginally led small-caps, although most stocks fell in price.

International Equity Markets

- Emerging market equities had a standout week and easily beat international developed equities in USD terms after Chilean stocks and some indices in China outperformed.
- European stocks were flat-to-negative after the hawkish news the U.S. Federal Reserve would tighten its monetary policy at a quicker pace than the market anticipated.
- Japanese equities were modestly positive according to the MSCI Japan Index despite the unfortunate news the government would be extending its ban on nonresidents from entering Japan until the end of February. The nation's capital, Tokyo, is currently being hammered with a new wave of cases.
- Chinese stocks were mixed across indices. The MSCI China Index rose nearly 3% in USD terms despite rumored refinancing difficulties that exist in the country's notorious property sector.

Credit Markets

(Perspectives from our partners at Piton Management)

- Treasury yields were higher Friday despite weak the retail sales report. The benchmark 10-year yield was up 7 bps on the day to close around 1.77%.
- On the supply front, Thursday's \$22 billion 30-year Treasury reopening came in at 2.075%. The 5s30s curve is closing within 0.5 bps from Monday's level at 57 bps.
- Investment-grade corporate bond spreads were wider over the week by approximately 5 bps following an active primary calendar of new issuance. Investment-grade funds reported \$1 billion of inflows, the third straight week of inflows into the sector. On the other hand, high-yield corporate funds saw \$2.2 billion of outflows which washed out the \$584 million of inflows reported the week prior.
- Primary corporate issuance has added around \$100 billion of capital this year, exceeding expectations. This week's forecast calls for \$15 billion more but is subject to change as company earnings are reported.
- Tax-exempt yields continued to rise across the curve underperforming Treasuries on the week. The 2- to 5-year maturities rose 8-10 bps while the rest of the curve was approximately 3-5 bps higher.
- Municipal funds continue to draw weekly inflows adding \$231 million, down from \$841 million last week. Notably, high yield funds saw their first weekly outflow in three months losing \$364 million.
- **Expanded fixed income commentary from Piton can be found using [this link](#).**

U.S. Economic Data/News

- On Wednesday, the Labor Department reported that broad consumer prices rose 7.0% on a rolling 12-month basis, the largest annual increase in nearly 40 years. Most inflation-related chatter hints that it will likely be temporary, but concerns have risen that a wage-price spiral could form. In a nutshell, this means that higher consumer goods' prices drive companies' wages higher, which consequently pushes prices of goods and services higher again. Nevertheless, Federal Reserve Chairman Jerome Powell has reassured the world that the Fed will actively monitor and contain inflation.
- The U.S. Census Bureau reported there was a 1.9% monthly drop in retail sales in December, which was largely unforeseen by economists. Initial assumptions blamed the Omicron surge that kept shoppers at home, but online sales declined as well. In a related tone, retail inventories rose by 1.3% in November, which may be an early indication that supply chain bottlenecks are easing.
- On the employment front, weekly jobless claims increased to 230,000 through the week that ended January 8th, the highest level since mid-November. However, continuing claims fell to 1.56 million, the lowest measure since June 1973 when the labor force was roughly half the size it is today.
- A few indices comprised of consumer surveys managed by the University of Michigan indicate the lowest readings since 2011. Namely, the Index of Consumer Sentiment and the Current Economic Conditions Index fell to levels not seen in more than 10 years.

International Economic Data/News

- The German economy grew by 2.7% in 2021 after contracting by 4.5% in 2020. Last year's growth rate was smaller than its pre-pandemic level due to coronavirus and supply-chain complications. Separately, the U.K. economy was approximately 0.7% larger through November 2021 than it was in February 2020.
- The January Regional Economic Report released by the Bank of Japan indicated all local Japanese economies had already increased or are on track for an increase in services consumptions levels.
- China's trade surplus rose to a record \$676 billion in 2021, the highest level since 1950, as inflation levels decreased more than expected. Moderating inflation created thoughts that China could eventually lower interest rates, a stark divergence from the U.S. where officials are planning rate hikes.
- Chilean risky assets benefited from rising commodity prices amid expectations of higher short-term interest rates to combat inflation. Additionally, President-Elect Gabriel Boric gave a speech in which he outlined his economic objectives and intentions once he assumes office in March.

Odds and Ends

- The latest attempt by the Biden administration to require large private employers to either mandate their employees to get vaccinated against COVID-19 or undergo routine weekly testing has been blocked by the Supreme Court. The ruling was announced on Thursday and applies to all employers with 100 or more employees nationwide. However, the court did allow healthcare facilities that participate in Medicare and Medicaid benefits to mandate employees be vaccinated if such companies choose. This was a smaller part of the original proposal from Biden's administration. The blockage by the court circumvents around 84 million workers from being forced to adhere to the proposed rules, including up to \$14,000 in fines for companies that did not comply.
- On Saturday, an undersea volcano erupted off the coast of New Zealand, centered near Tonga. A gigantic ash cloud quickly formed, and tsunami warnings spread like wildfire to many vulnerable areas nearby in the Pacific Ocean including New Zealand, Australia, Japan, and Hawaii. The focal point of the eruption, Tonga, is a collection of more than 170 islands scattered east of Australia throughout the ocean. The largest island, Tongatapu, indicated significant damage has been done although not much more is known about other Tongan islands due to power blackouts and general lack of communication streams. Tonga also has no known community spread of COVID-19 so it will likely be extra cautious about who it lets in to help with emergency relief efforts.
- Florida is expected to produce its smallest crop of oranges since 1945, causing futures prices to rally higher than their already elevated levels due to the pandemic. According to the Florida Department of Citrus, the reason for the smaller harvest is because of citrus greening, an incurable disease spread by tree louse that thins the crowns of trees and reduces their vitality. Frozen concentrated orange-juice futures ended the week at around \$1.50 per pound, roughly 50% higher from the start of the pandemic. Demand for orange juice had fallen before the pandemic began as Americans looked for healthier, less-sugary drinks to consume.

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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