Market Weekly Update

Week of May 2, 2022

KANDOR GLOBAL

Periodic Returns

	Trailing Week			Quarter-to-Date			Year-toDate		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	-3.3%	-3.3%	-3.3%	-5.6%	-8.9%	-12.1%	-6.3%	-13.6%	-10.0%
U.S. Mid-Cap	-3.7%	-3.5%	-3.1%	-5.9%	-7.7%	-11.3%	-7.7%	-12.9%	-22.4%
U.S. Small-Cap	-3.7%	-3.9%	-4.3%	-7.8%	-9.9%	-12.3%	-10.0%	-16.7%	-23.3%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	-3.3%	-8.7%	-12.9%
NASDAQ Composite	-3.9%	-13.2%	-21.0%
International Developed	-2.2%	-6.5%	-12.0%
Emerging Markets	0.1%	-5.6%	-12.1%
U.S. Aggregate Bond	-0.0%	-3.8%	-9.5%
U.S. Municipals	-0.3%	-2.8%	-8.8%
Corporate High Yield	-0.9%	-3.6%	-8.2%

Source: Morningstar, see 'Disclaimer' for details

Resource of the Week

- Dmitry Balyasny is the Managing Partner and CIO of Balyasny Asset Management otherwise known as BAM. BAM runs a multi-strategy multi-PM model that aims to produce consistent, absolute returns. Since its founding in 2001, it has produced only one negative year and has become one of the largest firms of its kind. In this episode of Invest Like the Best, host Patrick O'Shaughnessy and Dmitry cover the origin story of his unique multi-strategy firm, the common traits that great portfolio managers share, and how to incentivize talented investors. Give this episode a listen to get an insight into the multi-PM hedge fund world and to better understand how it has translated to consistent performance and longevity to a handful of well-funded firms.
- Podcast link

U.S. Equity Markets

- U.S. stocks fell to their lowest level of 2022, last week, as disappointing earnings and falling sentiment weighed on major indexes. The S&P 500 Index is now nearly 13% lower so far this year.
- Last week was an active earnings week for the mega-cap, tech platform companies. It was a mixed bag, but it again demonstrated how these names continue to have a disproportionate impact on index performance given their extensive concentration.
- All sectors within the S&P 500 Index fell, although the energy and IT sectors were relative outperformers. The consumer discretionary sector was by far the biggest laggard – declining nearly 8%. A sizeable fall in Amazon, an oversized constituent, was mostly to blame for the result.
- Nearly all market caps and styles also declined last week. Growth and value were somewhat evenly matched while small-caps fell more than large-caps.
- The technology-heavy NASDAQ Composite is now off ~21% for the year and continued to fall further into bear market territory.

International Equity Markets

- International markets generally held up better relative to domestic stocks. Developed, international equities fell, but to a lesser extent than the S&P 500 Index while emerging market equities were slightly positive.
- European shares declined modestly in local terms but to a greater degree in U.S. dollar terms when accounting for weakness in the euro.
- Japanese equities also fell slightly in local terms and were negatively impacted by a declining yen.
- Chinese equities declined but to a lesser extent than other markets in U.S. dollar terms.

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

- The. U.S. Treasury curve endured a volatile week of trading as the month-end approached, and as the next FOMC meeting takes center stage.
- 10-year treasury note yields began the week very close to 3%, but as equity markets fell during mixed earnings reports, bonds found some long-awaited support mid-week.
- Rates drifted back up by the end of the week and the 10-year yield closed again near the 3% threshold.
- The 2s/10s curve was slightly flatter in anticipation of the Fed meeting results. Investors expect a 50-basis point move and a schedule for a quantitative tightening of the Fed balance sheet.
- Corporate spreads were modestly wider for the week. Both investment-grade and high-yield corporate funds reported outflows of $1.2 billion and $117 million, respectively.
- Primary issuance has started to have more volatility as some companies are deciding to temporarily pull back from the new issue market.
- Despite Treasury volatility, municipals remained stable over the week drifting 1-2 basis points higher.
- Municipal funds continued to see outflows for the 11th consecutive week losing $2.88 billion.
- On a relative basis, municipals have reached the cheapest levels relative to Treasuries since November 2020. The 10-year benchmark currently yields approximately 94% of Treasuries.
- End of tax season selling, valuations attracting crossover buyers, and increased redemptions over the next few months provide possible catalysts for stabilized municipal performance.

U.S. Economic Data/News

- The most surprising economic news of the week was that the Commerce Department's advance GDP growth estimate showed that the economy contracted at a 1.4% rate over Q1, versus estimates for a 1.0% expansion.
- Falling inventory and a record trade deficit were largely to blame for the underwhelming GDP number. While the negative GDP print is concerning, many economists still believe that strong consumer spending and business investment could offset the potential for a recession or two consecutive quarters of economic contraction.
- There were some signs that inflation could be slowing. The year-over-year increase in the core personal consumption expenditures (PCE) price index, eased to 5.2% in March, its first deceleration in over a year. The year-over-year headline PCE measure advanced to a 40-year high of 6.6% but also missed estimates. Last, new home sales slowed but this is also likely because of higher mortgage rates.

International Economic Data/News

- The European Commission is working on its sixth round of sanctions against Russia which will likely include a form of an oil embargo. As it is, Russia's state-operated Gazprom stopped gas shipments to Bulgaria and Poland for failing to pay in rubles.
- Eurozone growth remained positive but slowed to 0.2% over Q1, which was below forecasts. Inflation accelerated last month, rising to 7.5% - the highest level since the formation of the euro.
- The Bank of Japan (BoJ) maintained its dovish stance as many central banks around the globe are becoming

- more restrictive to tame inflation. Japan's commitment to ultra-easy monetary policy has sent the yen to nearly a 20-year low versus the U.S. dollar.
- Chinese regulators appear poised to act to support its slowing economy and curb the impact of restrictive COVID-19 lockdowns. Actions could include tax cuts, consumption support, and infrastructure spending.

Odds and Ends

- With Berkshire Hathaway's annual meeting currently in full swing, there are several good one-liners from the 'Oracle of Omaha', Warren Buffett. Recently, his unwavering take on Bitcoin has made headlines. He stated that Bitcoin is not a productive asset and it doesn't produce anything tangible. Despite a shift in public perception about bitcoin, Buffett still wouldn't buy it. "Whether it goes up or down in the next year, or five or 10 years, I don't know. But the one thing I'm pretty sure of is that it doesn't produce anything," Buffett said. "It's got a magic to it and people have attached magic to lots of things."
- Spirit Airlines Inc. refused a $3.6 billion cash takeover bid from JetBlue on the basis that the deal likely can't be completed, and it is sticking with plans to merge with rival budget carrier Frontier. JetBlue's offer for Spirit came with a higher price tag than Frontier's cash-and-stock offer, which was originally valued at $2.9 billion. However, Spirit's board said it believed there was too much risk that regulators would bar a merger with JetBlue, even after JetBlue pledged to shed assets to win regulatory approval and to pay a $200 million breakup fee if it was unable to complete the proposed acquisition for antitrust reasons.
- Companies nationwide are struggling to get employees back in the office, but surprisingly not in Austin. Austin offices are nearly 60% occupied, according to data from Kastle Systems, an office-security firm that records workers' comings and goings by measuring badge swipes into skyscrapers and corporate campuses. Austin's nearby neighbor Dallas is several percentage points behind at 49% occupancy. San Jose, Calif., another hub of tech workers, has the lowest occupancy rate in the U.S. cities measured by Kastle Systems at 31%. Nationwide, offices in the 10 largest U.S. markets, from New York City to Los Angeles, are hovering around 40% occupancy.

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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