Market Weekly Update

Week of July 5, 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	-1.2%	-2.3%	-3.4%	-11.1%	-15.7%	-20.1%	-11.7%	-20.0%	-27.4%
U.S. Mid-Cap	-1.3%	-2.0%	-3.2%	-13.5%	-15.7%	-20.0%	-15.0%	-20.5%	-30.0%
U.S. Small-Cap	-1.4%	-2.1%	-2.7%	-14.0%	-16.2%	-18.6%	-16.1%	-22.5%	-28.9%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	-2.2%	-15.2%	-19.1%
NASDAQ Composite	-4.1%	-21.6%	-28.6%
International Developed	-2.2%	-15.2%	-20.2%
Emerging Markets	-1.6%	-12.1%	-18.3%
U.S. Aggregate Bond	1.3%	-4.1%	-9.8%
U.S. Municipals	0.7%	-2.6%	-8.7%
Corporate High Yield	-1.6%	-9.7%	-14.0%

Source: Morningstar, see 'Disclaimer' for details

Resource of the Week

- Berkshire Hathaway is one of the largest businesses in the world and is run by arguably the most famous investors of our time, Warren Buffett and Charlie Munger. To break down this business, Patrick O'Shaughnessy is joined by Chris Bloomstran. Chris is the president and CIO of Semper Augustus and has gone as deep on Berkshire as maybe anyone making him the perfect person to do this with. Given the reams of excellent content already out there about Buffett and Berkshire, the conversation focuses on the specific elements that make the business so special. Please enjoy this episode of Business Breakdowns featuring Berkshire Hathaway.
- Podcast link

U.S. Equity Markets

- U.S. stocks gave back some of last week's gains amidst worries that the Fed's efforts to quell inflation could push the economy into a recession.
- Last week, the S&P 500 Index closed out the worst first half of the year since 1970. Notably, the benchmark reached its all-time high on January 3rd, amplifying the extent of the year-to-date drawdown.
- Defensive areas of the market generally outperformed. Within the S&P 500, the best performing sectors included utilities, consumer staples, and healthcare. The energy sector was also positive reflecting higher oil prices.
- More cyclically exposed and growth-oriented sectors lagged. Bottom performers included the consumer discretionary, communication services, and IT sectors.
- Year-to-date, the S&P 500 Index remains right on the verge of bear market territory or a decline of 20% or greater. Growth stocks continue to lag value shares while small-caps generally have lagged large-caps.

International Equity Markets

- Developed and emerging non-U.S. equities also declined last week. Emerging market stocks fell slightly less than the developed, international MSCI EAFE Index.

- European equities were lower due to concerns about higher inflation and potentially slower growth. The euro also weakened against the U.S. Dollar, hurting USD returns.
- Japanese stocks declined, led lower by concerns that hawkish actions by many global central banks could lead notable developed world economies into a recession. The yen continued to weaken relative to the USD and stayed close to a 24-year low.
- Chinese equities were close to flat last week, boosted by strong factory data and easing coronavirus restrictions.

Credit Markets

- Lower growth expectations pushed treasury yields lower. The benchmark 10-year U.S. Treasury yield was as low as 2.79% on Friday, although it closed at 2.88%.
- Lower yields contributed to positive investment grade performance last week as the Bloomberg U.S. Aggregate Index was over 1% higher. Positive bond market performance helped soften the blow of lower equity returns in what is hopefully a return in bonds offering more of a ballast in diversified portfolios.
- Municipals also rallied last week, benefitting from lower yields and a flight to quality amidst recessionary fears.
- Corporate investment-grade bonds also had a constructive week driven by lower yields and lower than expected supply.
- High yield bonds lagged as any gains from duration were offset by wider spreads. Some technical signs also indicated that investors were repositioning portfolios ahead of the start of Q3 which resulted in asset class outflows.

U.S. Economic Data/News

- Economic data continued to underwhelm expectations suggesting that growth is continuing to slow. This indicates that the Fed's efforts to restrain demand to ease inflation is working to a degree.
- The Conference Board's consumer confidence index was much lower than expected and measures of manufacturing activity in the Mid-Atlantic region fell to levels not seen since the height of the pandemic.
- The highly watched personal consumption expenditures (PCE) index fell in May by 0.4%, the first decline so far this year. Underneath the hood, goods purchases fell 1.6% while services spending rose modestly.
- The Atlanta Fed's GDPNow model, which provides an estimate of annualized quarterly GDP growth, is now forecasting a -1.0% drop during Q2. If accurate, this would suggest the economy meets a commonly accepted recession indicator of two consecutive quarters of negative GDP growth.

International Economic Data/News

- The ECB maintained its more hawkish stance and is possibly paving the way for a possible 0.50% interest rate hike as soon as this month. That said, ECB action will likely be data-dependent, and tightening efforts could subside if growth were to weaken.
- Eurozone inflation rose to 8.6% in June, driven by higher energy and food costs. Like in the U.S., record inflation levels are quickly eroding consumer confidence.
- The Bank of Japan's recent corporate survey suggested that sentiment among large manufacturers fell just as factory output slowed sharply. Notably, slower output could be impacted by restrictive Chinese lockdowns.
- China has continued to ease quarantine restrictions following notoriously rigid lockdown procedures. Recently, quarantine times for inbound travelers were halved from 14 to 7 days with the preceding 3 days to be monitored at home.

Odds and Ends

- Over the bear market of 2022, few mutual-fund managers have managed to escape unscathed. Of the 1,342 actively managed U.S.-stock funds tracked by The Wall Street Journal (using data from Morningstar), only 32 managed to end the rolling 12-month period in positive territory by the end of the second quarter. The average performance for the fund managers was underwhelming as the funds recorded a total return of negative 15.2% for the 12 months, with the blame for much of the negative result falling within the 2022 portion of that period.
- The euro neared a 20-year low against the dollar as investors worried that the eurozone may be approaching an energy shock that could tip it into recession. The region's common currency now trades at ~$1.03 euro per USD. The euro's decline in addition to USD strength this year, has renewed concerns that the euro could reach parity with the USD. European policymakers tend to welcome a weaker currency, which helps to boost the region's exports by lowering their cost in international markets. That said, a weak euro can also increase inflation because it increases import prices.
- Short sellers are backing off their bets of losses ahead in the stock market. Total U.S. short selling increased by $20 billion in June, according to technology and data-analytics company S3 Partners. That was down from a $61 billion increase in May and less than most months in 2022. Investors shorting the market might be placing an outright bet that stocks will fall or reducing their exposure to a market downturn while betting that particular stocks will outperform. Short sellers borrow shares and sell them, hoping to buy them back at a lower price and pocket the profit. A slowdown in shorts could signal that investors believe stocks are nearing lows and prepping for a market rebound.

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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