ARMSTRONG ADVISORS
SUMMIT FINANCIAL, LLC

Summit Snapshot: Week of November 14th, 2022

Periodic Returns

	Trailing Week			Quarter-to-Date			Year-to-Date		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	4.6%	6.1%	7.7%	14.5%	11.5%	8.6%	-5.8%	-15.9%	-24.7%
U.S. Mid-Cap	5.5%	6.3%	7.7%	14.5%	13.8%	12.6%	-8.8%	-13.8%	-22.8%
U.S. Small-Cap	4.4%	4.6%	4.9%	15.7%	13.2%	10.9%	-8.8%	-15.2%	-21.6%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	5.9%	11.5%	-15.1%
NASDAQ Composite	8.1%	7.2%	-27.1%
International Developed	8.4%	15.6%	-15.7%
Emerging Markets	5.7%	6.9%	-22.1%
U.S. Aggregate Bond	2.3%	0.6%	-14.1%
U.S. Municipals	1.4%	0.9%	-11.4%
Corporate High Yield	1.2%	3.0%	-12.2%

Source: Morningstar, see 'Disclaimer' for details

U.S. Equity Markets

- U.S. equities surged late last week reflecting investors' celebration of easing inflation data and falling bond yields. The S&P 500 Index rose nearly 6% while the Nasdaq rose more than 8%.
- Growth shares vastly outperformed value stocks as investors rapidly priced in lower discount rates. An index of nonprofitable tech stocks rose over 15% on Thursday alone. Large caps bested small cap shares.
- Within the S&P 500 index, many of the most beaten-down sectors year-to-date were the top weekly performers. This included many of the faster-growing portions of the market such as IT and communication services. The real estate sector also performed well due to lower interest rates.
- More defensive portions of the market were among the poorest performers, although they were still positive. This included utilities and healthcare.
- Year-to-date, value shares are still ahead of growth stocks by a wide margin. Small cap and large cap leadership are close to mixed across different investment styles, as small caps have made up some lost ground recently.

International Equity Markets

- Developed, international equities rushed higher, ending the week up 8.4% in USD terms. Emerging market stocks also had strong gains but were behind those of other major market indexes.
- European equities logged impressive gains in USD terms, although a large portion of the rise came from currency appreciation.
- Japanese stocks rocketed higher, rising nearly 10% in USD terms. Much of the gains also came from currency appreciation, as the local market increase was more modest (~3.7%).

- Chinese equities had strong gains in both local and USD terms. News of government support of the troubled property market helped quell markets.

Credit Markets

- Treasury yields fell sharply on the long end last week. The 10-year yield started the week at slightly above 4.2% and ended the week at just over 3.8% - representing around a 10% drop in just a week.
- Lower yields supported higher-quality portions of the market. The Bloomberg U.S. Aggregate Index (Agg) rose more than 2% during the week, helping year-to-date losses recover to closer to 14%. At its low, the Agg was down nearly 17%.
- There was heightened investment-grade, corporate activity last week. Strong issuance was met with impressive levels of demand.
- More credit-sensitive portions of the market (ex. high yield) lagged investment grade as credit spreads widened despite a risk-on sentiment.
- The municipal market rallied last week, which was further boosted by crossover buyers. In credit-specific news, Moody's upgraded Chicago's general obligation bonds (GOs) bringing the city out of non-investment grade status reflecting improved pension funding practices.

U.S. Economic Data/News

- Likely the most notable event of the week was last Thursday's CPI print. The headline consumer price index rose 0.4% in October, below expectations of 0.6%. This brought the year-over-year increase to 7.7%, the slowest level since January but still well above the Fed's target level of closer to 2%.
- The core inflation (ex. food and energy) reading was also positive, reflecting lower auto prices. Shelter prices were less encouraging as they continue to surge. The cost of shelter rose 0.8% in October, the biggest monthly increase in over 30 years.
- Recent inflation data quickly prompted policymakers to issue statements on the future of rate policy. Some regional Fed officials took the opportunity to express the case for a slowing of hikes and possibly, a lower terminal rate. Others were less convinced.
- Other economic data released last week was near consensus. One exception was the University of Michigan's preliminary gauge of consumer sentiment, which dropped to its lowest level since July.

International Economic Data/News

- Third quarter GDP for the UK fell modestly, the first decline since the start of 2021. Lower GDP figures have contributed to the Bank of England forecasting a recession that could start imminently and last for two years.
- The European Commission has also increased its expectations for a eurozone recession that would start during the fourth quarter of this year. The prediction reflects both slower growth and the higher inflation predictions.
- Despite a rally last week, Japanese policymakers are increasingly concerned with the rapid devaluation of the yen. The yen recently reached 150 JPY/USD, the lowest level in more than 30 years. Although concerning, the BoJ has shown little indication that it intends to abandon its ultra-loose monetary policy to support the economic recovery.
- In China, COVID cases are surging but the government still seems to be easing its zero-COVID policy. Reports indicate that the government is preparing to ease travel restrictions to help improve citizen morale and support the economy.

Odds and Ends

- Cryptocurrency platform FTX filed for bankruptcy protection late last week and at the same time CEO, Sam Bankman-Fried resigned. FTX and a wide-ranging variety of affiliates had more than 100,000 creditors and tens of billions of dollars in assets and liabilities. FTX represents the largest crypto-related bankruptcy ever, and a demise remarkable for its swiftness as well as its size. In January, FTX raised money from Silicon Valley's most sophisticated investors, at a valuation of $32 billion. The bankruptcy will likely wipe out billions of equity value, leaving investors including Sequoia Capital and Thoma Bravo with stiff losses.
- Coffee was one of the hottest commodities earlier this year, but it has now gone cold with prices down more than 20% in the past month. Wet weather in farming areas such as Brazil and Indonesia is raising the prospect of a good crop and bigger coffee supply, sending prices down. At the same time, a strong dollar this year has pressured the prices of many commodities. Arabica coffee futures have shed 22% in the past month. In October, coffee futures fell for 13 consecutive trading sessions, the longest losing streak in nine years.
- Retailers are dangling big sales well ahead of Black Friday, a reversal from the past two years when scarcity allowed stores to charge full price for many products. The deep discounting, which started in October, could weigh on retail profits as chains enter the year-end shopping rush, analysts said. The pressure is particularly acute for apparel retailers, which have started to see prices fall after two years of gains. Apparel was the only category out of nearly a dozen where prices are lower than last year after factoring in discounts and deflation, according to DataWeave Inc., an analytics company that online prices for thousands of items across retailers.

Resource of the week:

- This episode of *Invest Like the* Best features Bob Elliott, the CEO and CIO of Unlimited, which creates low-cost index ETFs for alternative investment strategies that typically cost 2 and 20 (2% management fee and 20% incentive fee). Prior to co-founding Unlimited, Bob was a senior investment executive at Bridgewater Associates where he served on their Investment Committee and led Ray Dalio's personal research team for a decade. His breadth and depth of experience make him a great person to assess the current macro landscape. In this episode, Bob and Patrick (host) discuss the relationship between rates, inflation and asset classes, Bob's approach to identifying data with the most signal and finished with his view on quantitative strategies in private markets. Please enjoy this fascinating discussion with Bob Elliott.
- **Podcast link**: https://www.joincolossus.com/episodes/69469677/elliott-a-macro-tour?tab=transcript

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

DISCLAIMER

This commentary was written by Craig Amico, CFA®, CIPM®, Associate Director of Investment Management, Noreen Brown, CFA®, Deputy Chief Investment Officer and Steven Melnick, CFA®, Associate Director of Investment Management 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 or solicitation to buy any securities mentioned. Summit is an investment adviser and offers asset management and financial planning services. Indices are unmanaged and cannot be invested into directly. The periodic 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 Bloomberg US Agg Bond TR USD Index, U.S. Municipals by the Bloomberg Municipal TR USD Index, and Corporate High Yield by the Bloomberg US Corporate High Yield TR USD Index. The S&P 500 Index is a market capitalization-weighted Index of 500 widely held stocks often used as a proxy for the stock market. It measures the movement of the largest issues. Standard and Poor's chooses the member companies for the 500 based on market size, liquidity, and industry group representation. Included are the stocks of eleven different sectors. The Nasdaq Composite Index is a large market capitalization-weighted index of more than 2,500 U.S.-domiciled stocks. The index's composition is heavily weighted to the information technology sector, with consumer services, health care, and financials the next most prominent industries. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index representing approximately 90% of the total market capitalization of that index. It includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership. The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. It is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected. The MSCI EAFE Index (Europe, Australasia, Far East) captures large- and mid-cap representation across developed markets countries around the world, excluding the U.S. and Canada. The index covers approximately 85% of the free float-adjusted market capitalization in each country. The MSCI Emerging Markets Index captures large- and mid-cap representation across emerging markets countries across the world. The index covers approximately 85% of the free float-adjusted market capitalization in each country. The MSCI Europe Index captures large- and mid-cap representation across developed markets countries in Europe. The index covers approximately 85% of the free float-adjusted market capitalization across the European developed markets equity universe. The MSCI China Index captures large- and mid-cap representation across China A-shares, H shares, Red chips, P chips, and foreign listings. The index covers about 85% of the China equity universe. The Nikkei 225 Index is a stock market index for the Tokyo Stock Exchange which is price-weighted operating in Japanese Yen. The index measures the performance of 225 large, publicly owned companies in Japan from different industry sectors. The Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS, and CMBS (agency and non-agency. The Bloomberg Municipal Bond Index covers the U.S. dollar-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. The Bloomberg U.S. Corporate High-Yield Index measures the U.S. dollar-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on the EM country definition, are excluded. The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. CPI is often used as a barometer to measure inflation. The Caixin China General Services PMI (Purchasing Managers' Index) is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 private service sector companies. The index tracks variables such as sales, employment, inventories, and prices. A reading above 50 indicates that the services sector is generally expanding; below 50 indicates that it is generally declining. The 2s30s spread is the difference between the yield on the 30-year Treasury bond and the yield on the 2-year Treasury note.

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