ARMSTRONG ADVISORS
SUMMIT FINANCIAL, LLC

Summit Snapshot: Week of July 5th, 2022

Periodic Returns

	Trailing Week			Quarter-to-Date			Year-to-Date		
	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

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.

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**: https://www.joincolossus.com/episodes/21729827/bloomstran-berkshire-hathaway-the-incomparable-compounder?tab=blocks

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

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This commentary was written by Craig Amico, CFA®, CIPM®, Associate Director, Noreen Brown, CFA®, Chief Wealth Strategist and Steven Melnick, CFA®, Associate Director 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.

Data in this newsletter is obtained from sources that 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. The attached materials, URLs, or referenced external websites are created and maintained by a third party, which is not affiliated with Summit Financial LLC. or its affiliates. The information and opinions found within have not been verified by Summit, nor do we make any representations as to its accuracy and completeness. Summit Financial, LLC, and affiliates are not endorsing these third-party services, or their privacy and security policies, which may differ from ours. We recommend that you review these third-party's policies and terms. Investment advisory and financial planning services offered through Summit Financial, LLC, a SEC Registered Investment Adviser, doing business as Armstrong Advisors, 4 Campus Drive, Parsippany, NJ 07054; Tel: 973-285-3600, Direct: 973-285-4405, Fax: 973-285-3666; rarmstrong@sfr1.com.