Vardhan Views: Week of April 4th, 2022

Periodic Returns

	Trailing Week			Quarter-to-Date			Year-to-Date		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
U.S. Large-Cap	-0.4%	0.2%	0.8%	-0.3%	-4.8%	-8.7%	-0.3%	-4.8%	-8.7%
U.S. Mid-Cap	0.0%	0.5%	1.5%	-1.3%	-5.1%	-12.1%	-1.3%	-5.1%	-12.1%
U.S. Small-Cap	-0.1%	0.7%	1.6%	-1.5%	-6.6%	-11.6%	-1.5%	-6.6%	-11.6%

	Trailing Week	Quarter-to-Date	Year-to-Date
S&P 500 Index	0.1%	-4.3%	-4.3%
NASDAQ Composite	0.7%	-8.7%	-8.7%
International Developed	0.8%	-6.4%	-6.4%
Emerging Markets	1.9%	-6.6%	-6.6%
U.S. Aggregate Bond	0.8%	-6.2%	-6.2%
U.S. Municipals	0.0%	-6.2%	-6.2%
Corporate High Yield	0.7%	-5.0%	-5.0%

Source: Morningstar, see ‘Disclaimer’ for details

U.S. Equity Markets

- U.S. stocks closed the week roughly flat after losses starting mid-week reversed a 4-day winning streak. This marked the end of the best month for the S&P 500 Index since December 2021 but the worst quarter since early 2020.
- Value handily outpaced growth stocks for both the week and the quarter. This marks a stark contrast to growth’s extensive outperformance over the past several years.
- Cyclical sensitive sectors lagged last week reflecting renewed fears of an economic slowdown. The energy and financials sectors were among the bottom performers.
- More defensive portions of the market including utilities and consumer staples were among the top performers. The real estate sector also performed well due to strong fundamentals and modestly lower rates.

International Equity Markets

- Both developed and emerging international equities were positive last week. Non-U.S. indexes also bested their domestic counterparts.
- European equities gained ground over a turbulent week of trading and overcoming continued concerns about the Russian invasion of Ukraine and higher than expected inflation.
- Japanese equities declined last week mirroring weaker local sentiment and slower growth implications of higher input prices.
- Chinese equities rose as investors anticipated that the government would intervene with more support for the economy and markets. That said, delisting concerns continued to pressure the technology portion of the market after the U.S. SEC added several new names to its Holding Foreign Companies Accountable Act (HFCAA) list including Baidu.

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

- The U.S. Treasury yield extended flattening last week with the yield on the 10-year down to 2.382% at Friday's close.
- Last Tuesday, the U.S. yield curve first inverted from two to ten years in a key recessionary sign. At the end of the week, the spread between the 2s and 10s deepened to 5 basis points. The 5s30s curve inverted deeper to 10 basis points and the 2s30s curve inverted for the first time since 2007.
- Corporate investment-grade spreads finished the week modestly tighter and had outflows of just over $2.5 billion. Corporate high yield funds also reported outflows of roughly $1.25 billion. This compares with inflows for both asset classes last week.
- Corporate issuance for March was well over the dealers' expectation and took the spot as the 4th highest on record although to a mixed reception by buyers.
- Municipals ended another challenging month with the broad index down -3.24%, capping the worst quarter in 40 years.
- Municipal funds continued to see outflows losing $2 billion for the week ending last Wednesday - the seventh consecutive week of outflows.

U.S. Economic Data/News

- March nonfarm payrolls fell below expectations at 431,000 versus a consensus of 490,000. This disappointment was somewhat offset by a fall in the unemployment rate to 3.6%. This reading is almost back to pre-pandemic levels.
- Monthly average earnings and consumer income levels both roughly met expectations. Notably, there are some signs that higher prices are starting to curb demand in certain areas of the economy.
- February job openings were little changed and continue to be near record-highs. Recent economic and labor market data could further impact the Fed's action to accelerate tightening from quarter-point moves to half-point moves.

International Economic Data/News

- Eurozone inflation accelerated further as the jobless rate fell to a record low. Early estimates put eurozone annual inflation at 7.5% in March – with price levels pushed higher by a surge in energy costs. The eurozone unemployment rate also dropped to a record low of 6.8% in February.
- Russia is requiring that foreign buyers pay for natural gas in rubles versus euros starting in April. This request was widely rejected by G-7 countries promoting plans for emergency rationing.
- ECB officials have transitioned to a more cautious growth stance following the deteriorating conflict in Ukraine and greater pass-through economic costs. The ECB now projects 2022 growth of 2.5% versus prior estimates of 3.7%.
- The Japanese government announced a widely expected stimulus package to help boost the economy and offset the impact of higher commodity prices and a weakening yen. The Bank of Japan (BoJ) also stepped into the bond market to combat a local bond market sell-off.
- Chinese manufacturing and services indicators lagged forecasts and fell into contraction territory, reflecting pandemic lockdowns. The People's Bank of China (PBoC) noted that recent data could warrant a strengthening of policy.

Odds and Ends

- Tesla and SpaceX founder Elon Musk purchased a giant stake in Twitter making him the largest outside shareholder in the social media stock. This comes not long after he criticized the company for failing to uphold the tenets of free speech. Musk now owns a 9.2% passive stake in the company, according to the SEC and the stake is worth around $3 billion.

- Starbucks will be suspending billions of dollars in share repurchases in a move that interim CEO Howard Schultz said would free up cash to invest in cafes and employees. Pausing the buyback program, which Starbucks initiated last fall, represents a way for the company to invest in its next phase of growth. Schultz is returning to run the coffee chain he built over several decades after Kevin Johnson, who had served as Starbucks's CEO since 2017, in March announced his intention to step down. Mr. Schultz said he would focus on reinvigorating Starbucks as the chain navigates rising costs and a broadening unionization push among U.S. baristas, while the company plans to build thousands of new cafes around the world in the coming years.
- Blackstone is acquiring a large life-sciences and office campus in Boulder, Colorado in the latest sign that the city is emerging as a hub for the biotechnology and pharmaceutical industries. Blackstone's BioMed Realty Trust is a real estate owner that focuses on life science and tech buildings, is paying more than $600 million for Flatiron Park, a 22-building complex. BioMed Realty plans to invest another $200 million in the property, in part toward converting traditional office space to labs targeted at new and existing Boulder life-sciences companies.

Resource of the week:

- David Rubenstein is the co-founder of the Carlyle Group, one of the largest private equity firms in the world. David has worked in the White House, built a $300 billion investment institution, become a prominent philanthropist, publish books, and now hosts his own TV show. In this episode of *Invest Like the Best*, host – Patrick O'Shaughnessy and David sit down to cover the spectrum of his experience as a father, investor, historian, and titan of American business. Enjoy this thought-provoking conversation with one of the pioneers of modern private equity.
- **Podcast link**: https://www.joincolossus.com/episodes/77502018/rubenstein-life-leadership-and-lbos?tab=transcript

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.

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