Monthly Newsletter

July 2021

KANDOR GLOBAL

Despite anxiety about new COVID-19 variants, July was a solid month for the investment markets. Broad equity markets reached new highs as investors assessed healthy economic and corporate earnings data against a backdrop of surging inflation and heightened asset valuations. At the same time, the resurgence of the coronavirus pandemic dominated the news, boosting bonds and other defensive assets. Bond yields fell to levels not seen in several months, suggesting that investors foresaw a slowdown in economic growth and inflation.

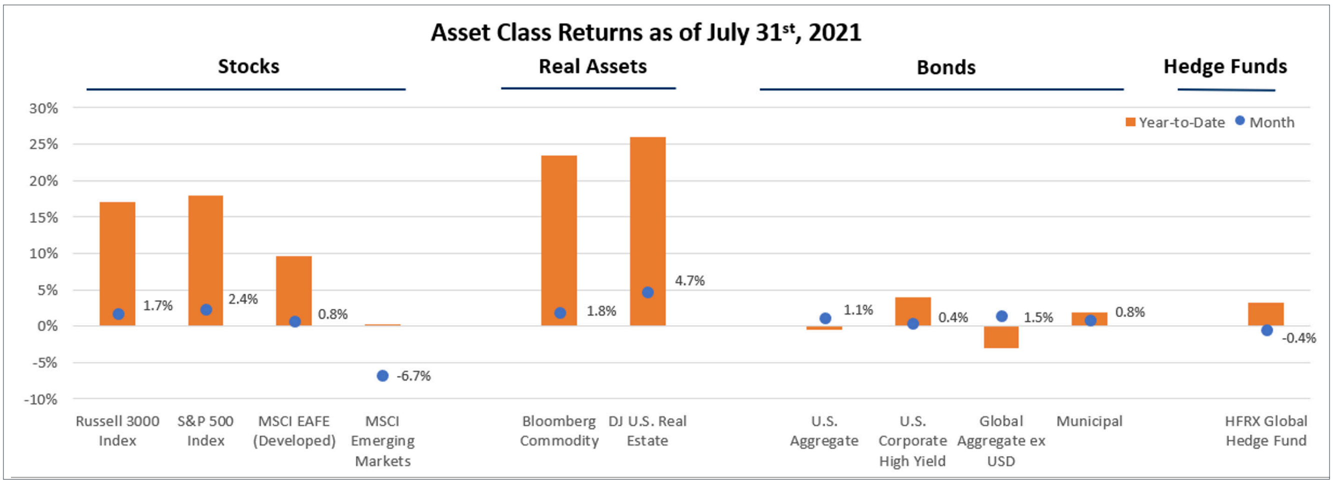
The U.S. economy continued to recover from the COVID recession. Annualized real GDP growth of 6.5% during the second quarter was below expectations, but was thwarted by supply shortages affecting construction and auto sales. Consumer confidence and spending were healthier than expected. The labor market remains far from pre-pandemic levels, but jobs are being added at a robust pace. Inflation continues to be high due to supply shortages in labor and raw materials, but inflation expectations have eased. Vaccination rates in Europe are catching up to those in the U.S., driving a surge in activity and shifting Eurozone GDP growth into positive territory. It is important to note that economic data is on a lag and does not reflect the effects of rising COVID rates and the return of restrictions in some regions.

Although broad equity markets did well for the month, results across regions and sectors were mixed. In the U.S., over 90% of reporting companies beat earnings expectations and an unusually high level of share buybacks boosted stock prices. Although growth stocks overall beat value stocks, defensive sectors real estate and healthcare were top performers. Small capitalization and energy stocks plummeted as investors shifted away from sectors that would be hardest hit by a slowdown. Although the energy sector remains ahead year to date, OPEC's plan to maintain the oil supply will likely be a headwind in the coming months. The emerging equity market index was weighed down by China, its largest component. Increased government oversight and tighter regulations for the housing market, online educational services, and technology companies triggered a sharp decline in Chinese stock prices.

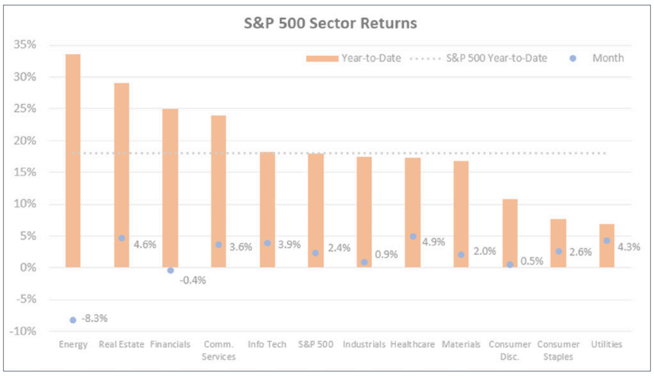
U.S. Treasuries had the best month in almost a year as demand for safe-haven assets and fears of an economic slowdown shifted the yield curve lower. Real interest rates are negative and arguably at unsustainable levels. The Federal Reserve reiterated its commitment to dovish policies but suggested that bond purchases would be cut back by early next year which would put upward pressure on interest rates. Demand has been unusually robust with institutional and retail investors pursuing a mix of safe-haven bonds and riskier higher yielding securities. Strong demand combined with paltry debt issuance pushed bond prices higher but tight credit spreads limited the upside for corporate and municipal bonds.

With the equity and bond markets sending mixed signals, investors should expect elevated volatility in the coming weeks. The unpredictable path of the coronavirus pandemic and political turmoil may contribute to investor's unease. The U.S. Congress seems poised to pass an infrastructure bill that would increase domestic spending, providing a catalyst for economic growth and inflation, but a divided Congress may make this task difficult. The U.S. debt ceiling has once again expired, an event that has triggered market volatility in the past. China is also a wildcard with a long history of government intervention and a precarious relationship with the U.S. Investors should ensure that portfolios are aligned with their long-term risk tolerance and incorporate defensive and diversifying components.

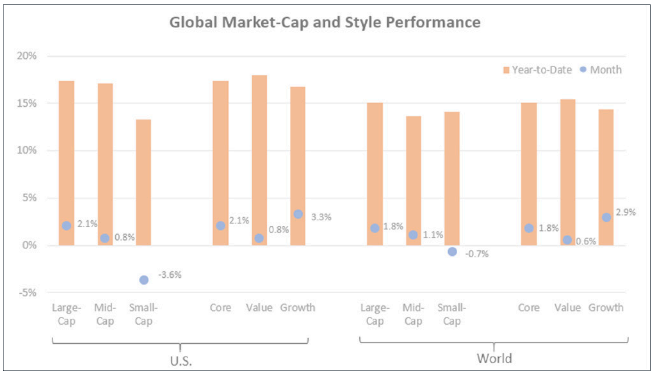
Market Data



Morningstar & Hedge Fund Research, Inc.; Bond indices from Bloomberg Barclays

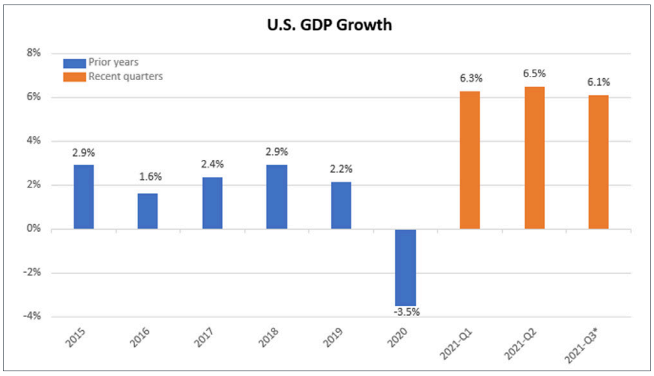


Bloomberg

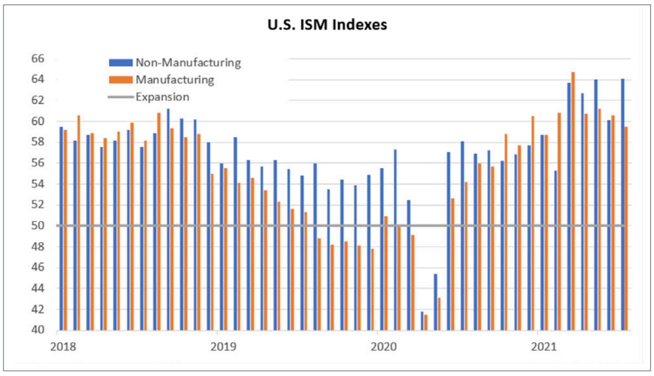


Bloomberg; U.S. indices from Russell and World indices from MSCI

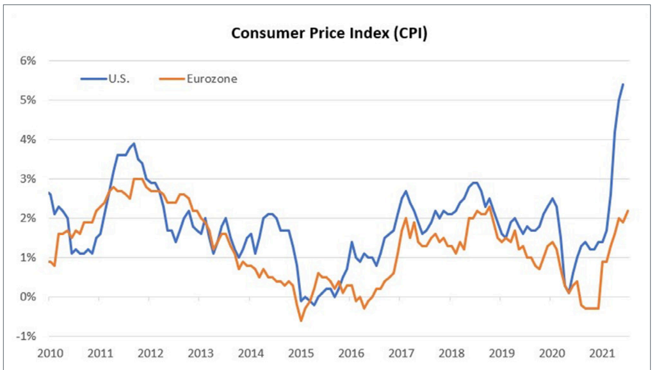
Economic Data



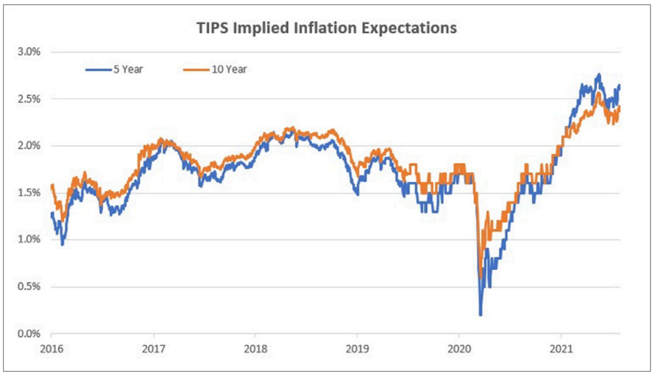
*U.S. Bureau of Commerce, *Atlanta Fed GDP Now Estimate*



Institute for Supply Management



U.S. Bureau of Labor Statistics



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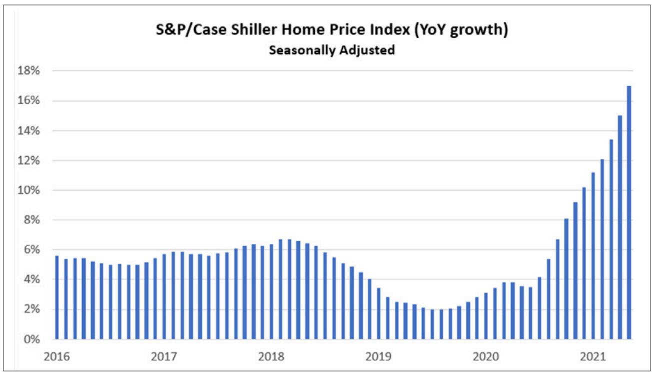
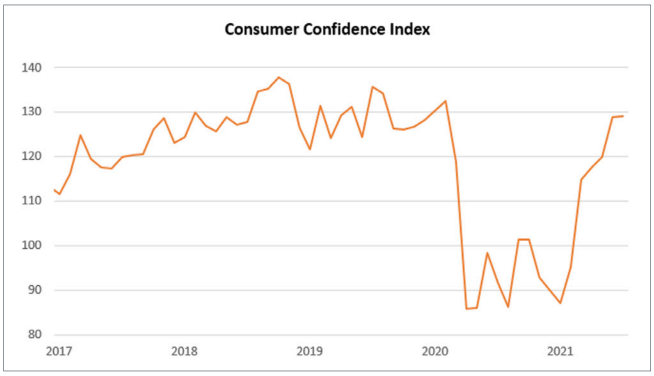
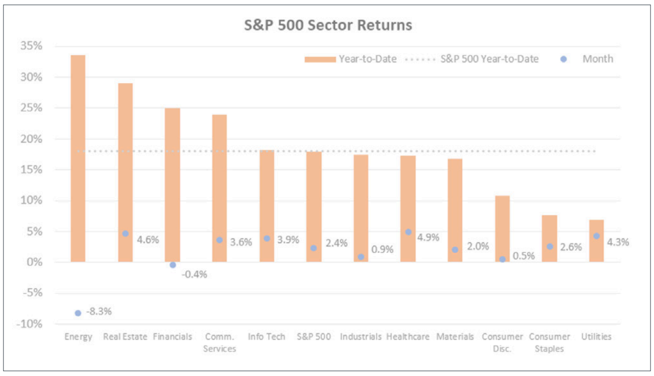


S&P/Case Shiller



Conference Board



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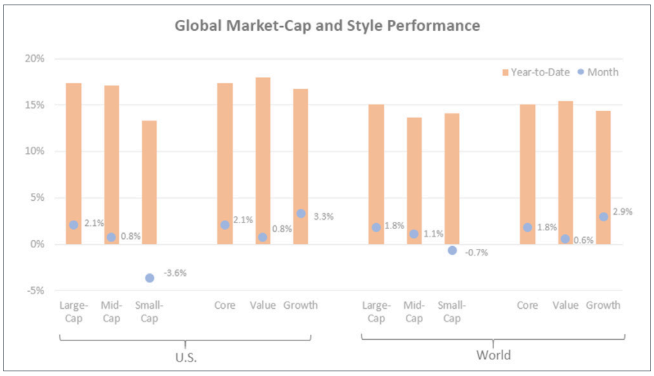

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This commentary was written by Craig Amico, CFA®, CIPM®, Senior Investment Analyst, Noreen Brown, CFA®, Director of Portfolio Management and Steven Melnick, CFA®, Senior Investment Analyst at Summit Financial, LLC., an SEC Registered Investment Adviser ("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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