Monthly Newsletter

November 2021

KANDOR GLOBAL

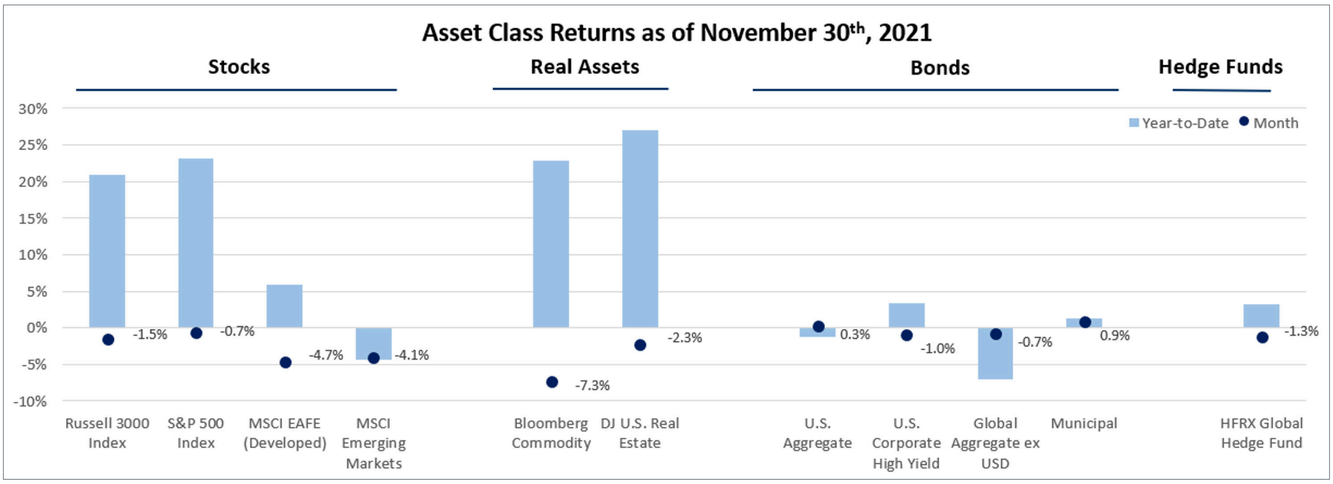
November proved to be a turbulent period for markets as investors reacted to the news of rising coronavirus concerns ignited by the emerging Omicron variant. The risk-off playbook was quickly put into action and high-quality bonds rallied while equity market gains from early in the month were quickly eliminated. Although much is still unknown about the new variant, early indications suggest that while it is potentially more contagious than the prior variants (including Delta), it may not be any more severe. Vaccines are also potentially still effective to some extent against the new variant which should help to soften the impact. While impossible to know for certain, it appears unlikely that the Omicron and future variants would cause the same degree of panic and turmoil in markets as the initial scare in early 2020.

Recent inflation data and Federal Reserve (Fed) policy have fueled additional volatility. The U.S. Consumer Price Index (CPI) rose 6.2% year-over-year, the highest rate since 1990. The magnitude and breadth of recent inflation data have led to more consensus expectations that higher inflation could extend longer than initially expected. In particular, increases in labor costs are less likely to be transient as it's hard to reset wages lower once they rise. Higher inflation has also altered the Fed's path forward. This has been reinforced by strong economic data. For example, the end of November produced the lowest weekly jobless claims number since the late 1960s. Reappointed Fed Chair Powell recently laid out a plan to taper monthly bond purchases from $120 billion to zero by mid-2022 with the potential to accelerate the timing based on data. Fed messaging initially pushed yields higher but recent Omicron worries have somewhat offset upward rate pressures, at least temporarily.

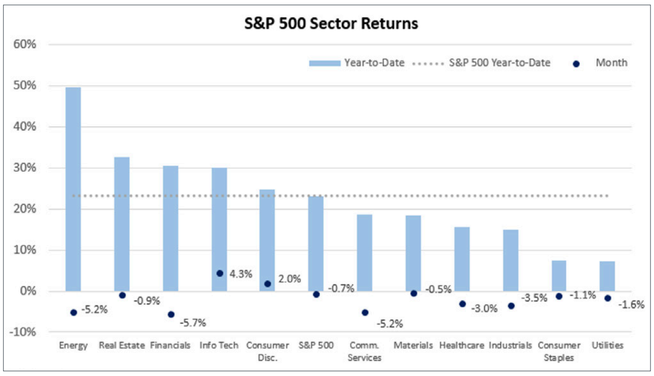
European economic data was more mixed and was heavily dependent on the impact of the fourth wave of coronavirus infections. Rising cases in select nations, such as Austria, Belgium, and Germany, have dampened the recovery while other countries, such as France and the U.K. have fared better.
Despite the mixed recovery, eurozone PMI data recovered following three consecutive months of declines. Japan's new prime minister and government recently approved a record, near-USD 500 billion stimulus package that should help support the economy. Notably, continued easing at a time when other developed nations are contemplating tapering and/or are raising rates contributed to the yen sliding to multiyear lows. Within emerging markets, recent Chinese data was better than expected fueled by strong export demand from the U.S. and Europe. Sales from China's recent Singles Day also broke new records demonstrating retail strength. That said, regulatory overhangs and global tensions have held back the performance of Chinese risk-assets to a great extent in 2021.

A flight-to-safety following alarming Omicron headlines negatively impacted equities and credit-sensitive bonds while simultaneously supporting government and municipal bonds. Within equities, U.S. stocks fell but to a lesser extent than international markets. This only served to extend U.S. equity market leadership. Within U.S. equities, technology and consumer discretionary names outperformed, contributing to growth outpacing value. Large-caps were negative but maintained a lead over small-caps. Emerging market equities remained a laggard globally, reflecting disappointing performance from Chinese equities. While developed international equities are positive year-to-date, emerging market equities are now in negative territory. In fixed income, falling yields helped support government bonds while gains from duration were offset by widening spreads for credit sensitive corporates. Bond returns are underwhelming year-to-date, reflecting rising yields across many developed nations.

2021 has been a year full of surprises despite the world making extensive progress in the public health and economic recovery from the depths of 2020. Growth is likely to remain positive going forward, although there will certainly be many bumps (and new coronavirus variants) along the way. While it may still be present to varying degrees, monetary policy is likely to be a lesser driver of growth looking forward, as more economies can stand on their own footing. Nonetheless, the future is increasingly hard to predict, and prudence should be employed in investment portfolios.



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



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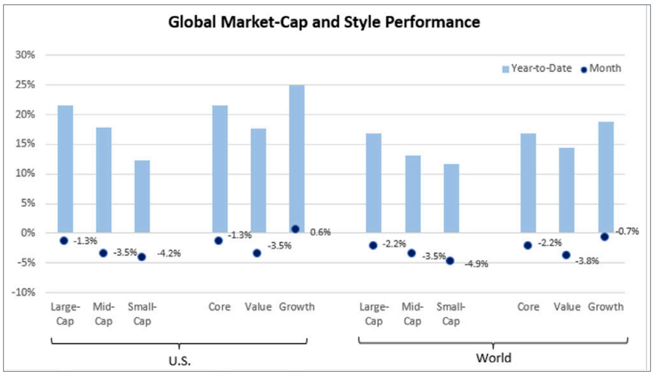
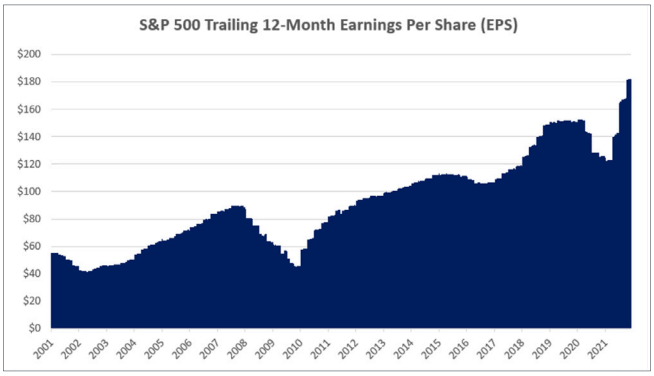
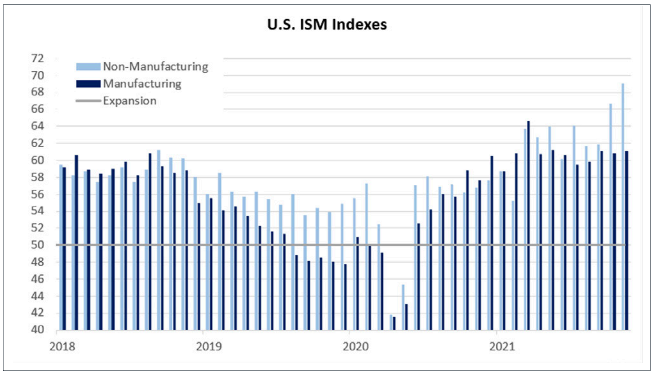


Bloomberg; U.S. indices from Russell and World indices from MSCI



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



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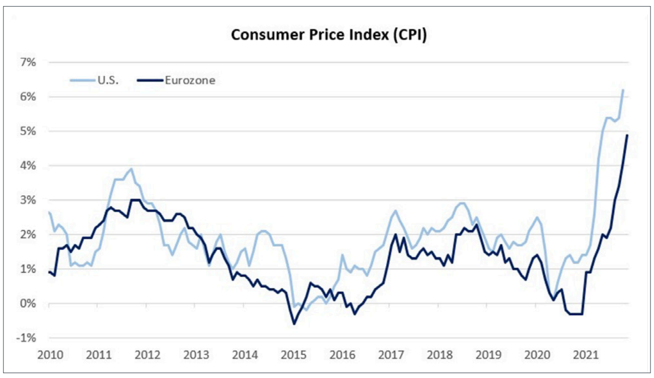
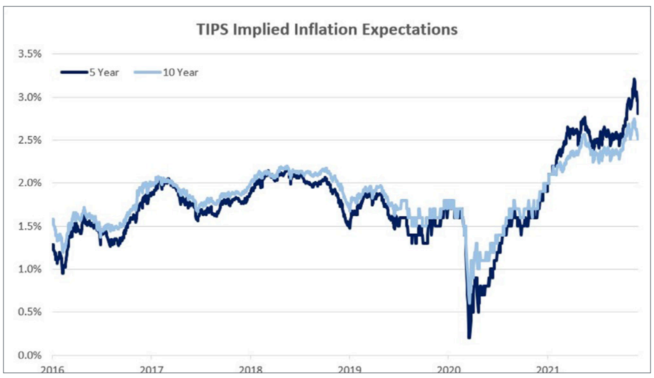


U.S. Bureau of Labor Statistics



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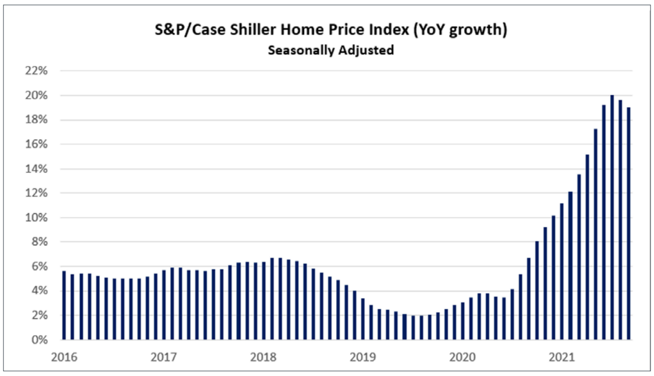
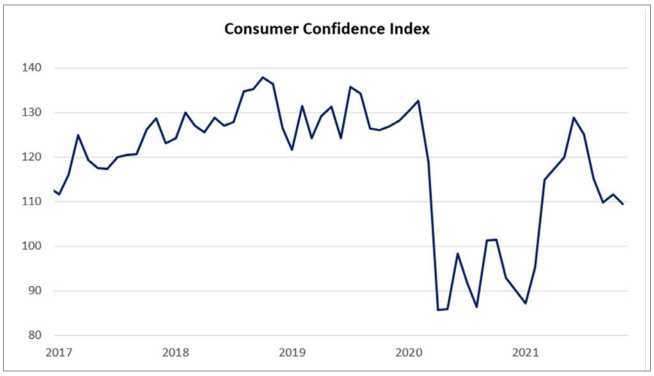


S&P/Case Shiller



Conference Board

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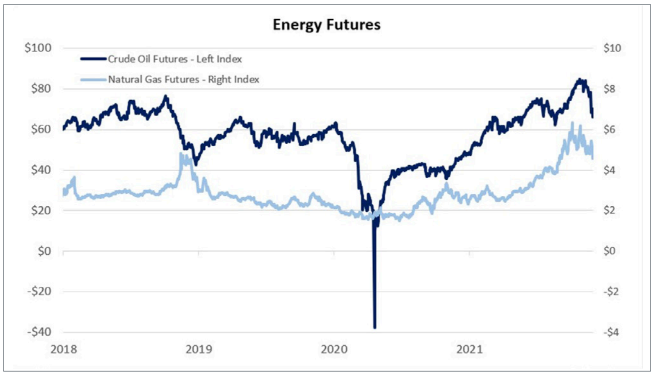

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This commentary was written by Craig Amico, CFA®, CIPM®, Senior Investment Analyst, Noreen Brown, CFA®, Director of Portfolio Management and Steven Melnick, CFA®, Senior Investment Analyst at Summit Financial, LLC., an SEC Registered Investment Adviser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