

MONTHLY ECONOMIC UPDATE

INVESTMENT NEWSLETTER / JANUARY 2020

January Summary

Markets carried trade and economic optimism from the end of 2019 into the new year. Unfortunately, reality quickly set in bringing volatility along with it. In addition to quickly escalating tension between the U.S. and Iran, fear surrounding the rapid spread of the Wuhan coronavirus and its potential implications infected investors. These concerns were enough to wipe out early equity market gains and push bond yields lower. While the full implications of the coronavirus are unknown, history suggests that its economic impact will be transient.

Positive economic momentum continued in January. The U.S. economy grew at a solid 2.1% over the fourth quarter of 2019 and at a similar pace for the full year. While select tariffs remain, the tit-for-tat escalation between the U.S. and China appears to be at bay — at least for now. Looking past Phase I of the trade deal, structural disagreements exist, meaning additional volatility could result as these differences are brought to the forefront. Domestic manufacturing continues to be a soft spot while the services sector and the

all-important consumer are resilient. Job growth is healthy and consumer confidence made significant strides in January. The housing market also demonstrated encouraging signs as pricing and building activity recovered from lower levels reached earlier last year.

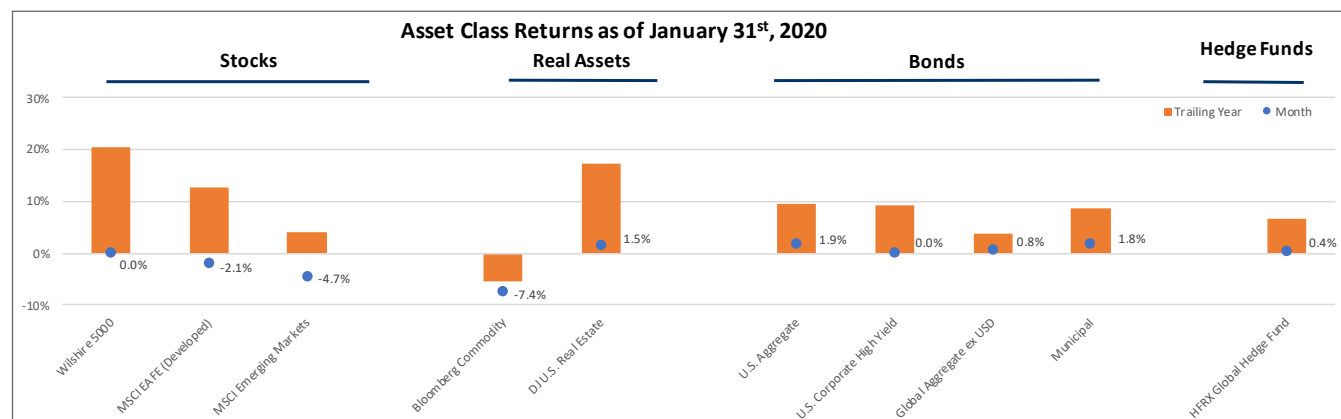
Overseas, economic data is improving. European manufacturing has shown signs of bottoming while the consumer is healthy, buoyed by a tight labor market. Recently appointed ECB president Christine Lagarde, kept rates unchanged and appears poised to step-in further should conditions worsen. While China's growth has shown some signs of stabilizing, it's gone from fending off the impact of tariffs to trying to offset the economic implications of an unprecedented containment effort to stop the spread of the coronavirus.

Monthly returns for investable assets reflected a flight-to-quality mentality stemming from rising concerns late in the month. Equity markets were generally flat to negative, while government and high-quality

fixed income securities were slightly positive — benefiting from falling rates. Falling yields also influenced equity markets as rate sensitive sectors, such as utilities and real estate, were amongst the strongest performers. IT stocks proved resilient driven by strong fundamental results from behemoths like Microsoft and Amazon.com. Impressive results from mega-cap technology holdings also fueled growth's continued outperformance over value and helped large-caps maintain their dominance over smaller market-cap securities.

As we continue into 2020, the outlook remains cautiously optimistic. Global growth is positive but tepid and liquidity is plentiful although fueled by accommodative central banks. A strong labor market has kept the consumer in a healthy place yet has the potential to stimulate inflation with higher wages. Exiting January, sentiment is on an upswing but important risks remain. Summit believes that thoughtful long-term planning and an appropriate, well-diversified investment portfolio are the best approach to navigating the current environment.

Market Data

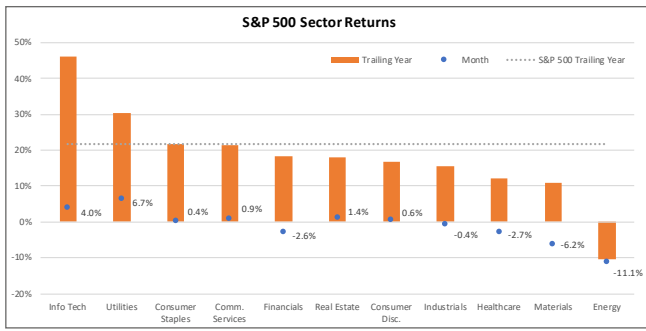


Morningstar,[®] bond indices from Bloomberg Barclays

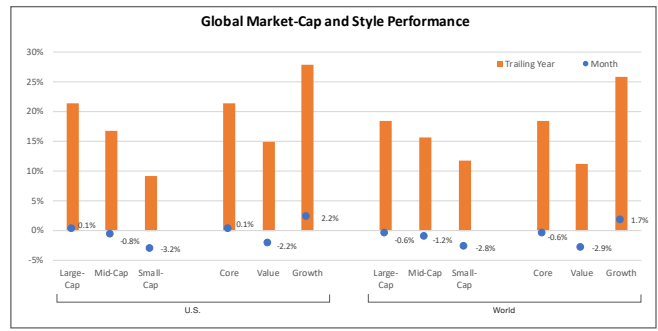


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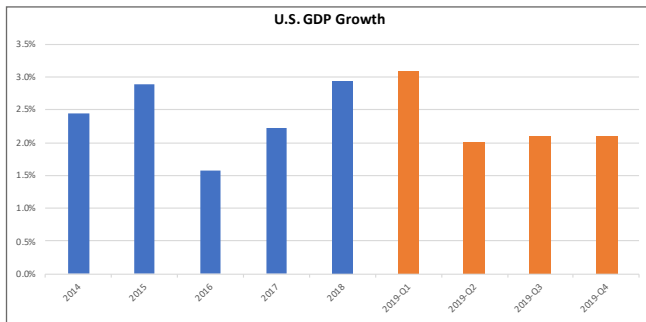


Bloomberg as of January 31, 2020

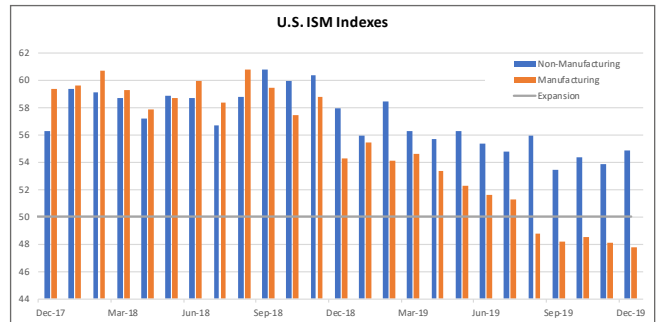


Bloomberg; U.S. indices from Russell and World indices from MSCI as of January 31, 2020

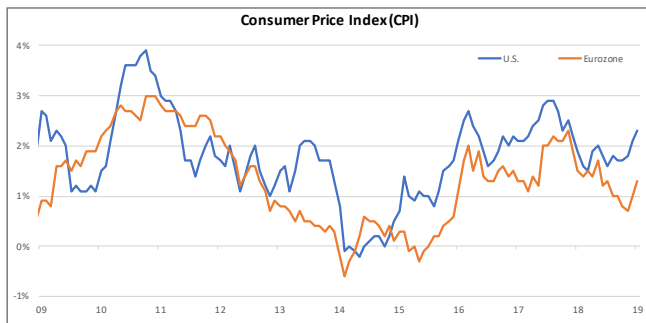
Economic Data



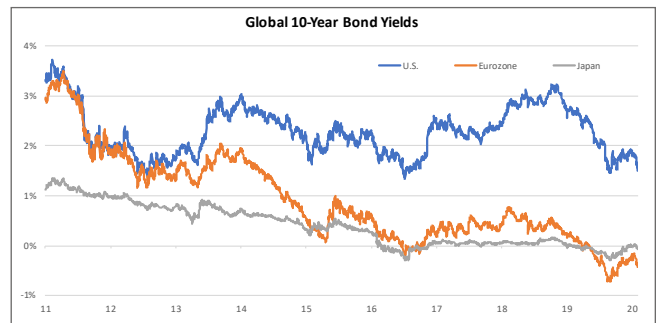
U.S. Department of Commerce



Institute for Supply Management



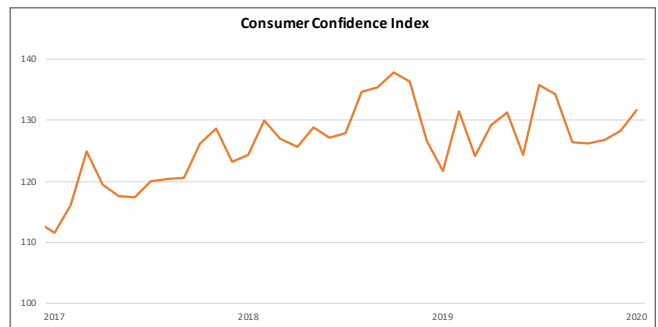
U.S. Bureau of Labor Statistics



Bloomberg

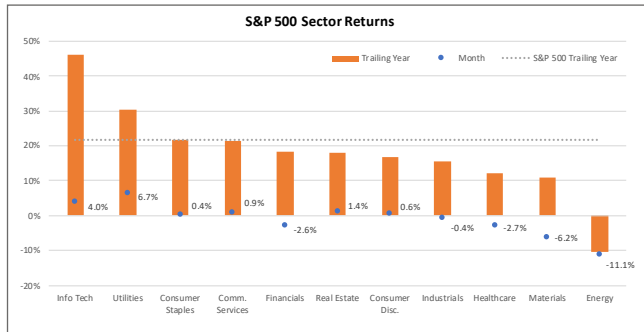


U.S. Bureau of Labor Statistics

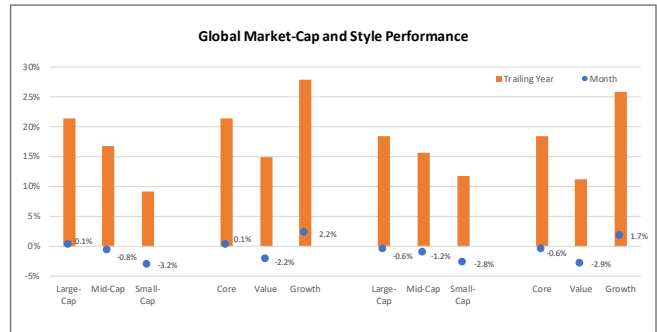


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Economic Data



S&P/Case Shiller



U.S. Bureau of the Census,
U.S. Department of Housing and Urban Development

Disclaimers

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 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 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 Emerging Markets Index is a free float-adjusted market capitalization index designed to measure the equity market performance of emerging markets; the Bloomberg Commodity Index measures the performance of an unleveraged, long-only investment

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