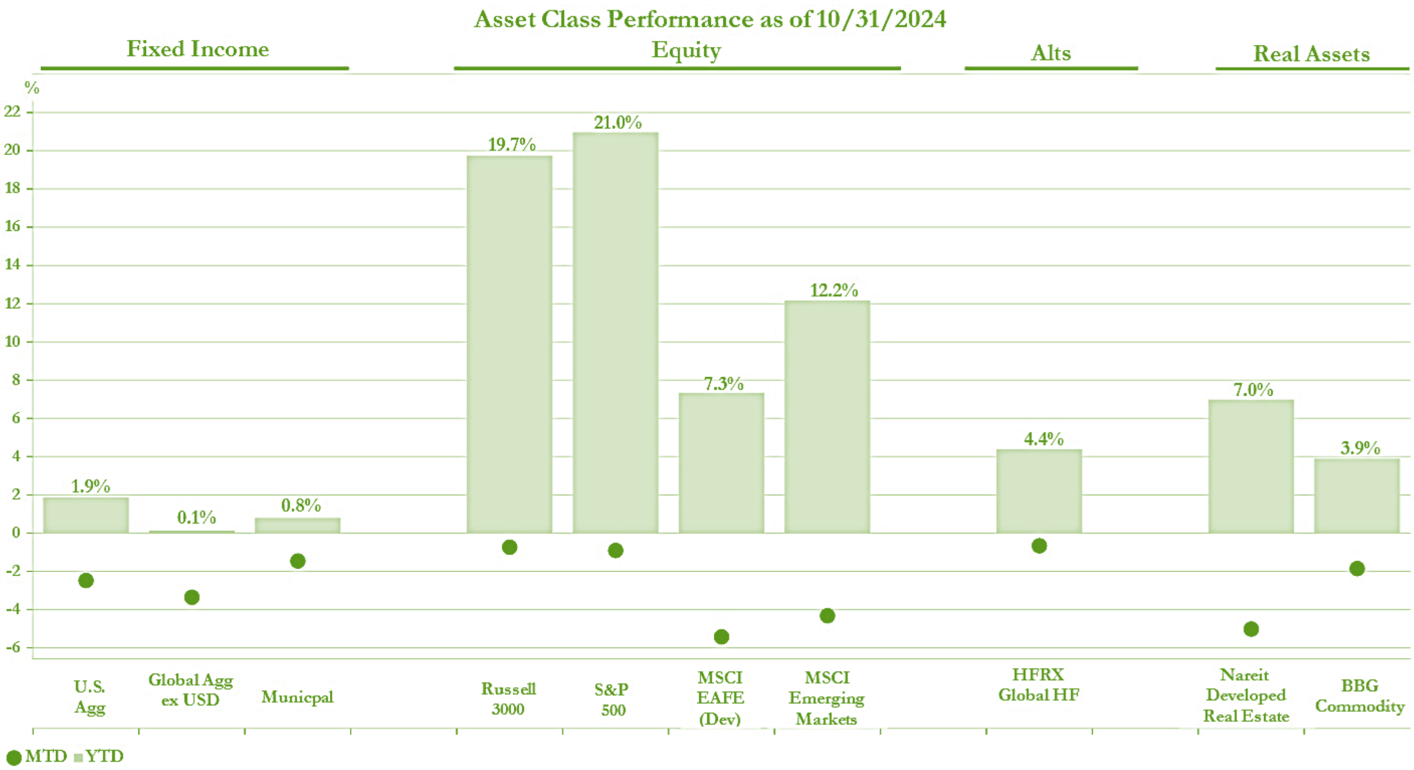
Key Takeaways

- The U.S. economy remained resilient throughout the third quarter, with U.S. GDP growing 2.5% according to the initial Bureau of Economic Analysis estimate. The growth was driven by strong consumer spending, a key sign of strength for the consumer-driven U.S. economy.
- The unemployment rate was unchanged from September at 4.1%, despite lower than expected job growth due to recent hurricanes and labor strikes.
- U.S. equity markets, which experienced heightened volatility and struggled to find direction in October, rallied throughout election day and continued to surge after the announcement of Donald Trump's reelection.
- Expectations of broad deregulation leading to heightened growth provided a boost across many different sectors, including financials, energy, and industrials.
- Fixed income markets, on the other hand, were negative for the month as yields in the belly and longer end of the curve crept higher, likely influenced by expectations for higher growth and inflation with little mention of future efforts to reign in an expanding deficit.
- Bond market weakness continued post-election as investors assessed the potential impacts of upcoming policy changes.
- The U.S. dollar, which weakened throughout the third quarter, reversed trend in October and strengthened into and post-election, due in part to the expectation of rates remaining higher for longer.
- Trump's proposed tariffs could reintroduce inflationary pressure into the U.S. economy and further complicate the path forward for the Fed, leading some strategists to temper their expectations for the pace of interest rate cuts through the end of 2025.
- With inflation continuing to moderate, markets had priced in a 100% chance of a 25 bp rate cut leading up to the November meeting of the FOMC, which, at its close, Fed Chair Powell announced would in fact take place.
- As with any presidential election there may be short-term volatility across markets as new policies are implemented and existing ones are expanded or curtailed, but investors are usually best served by focusing on long-term investment strategies and financial goals.



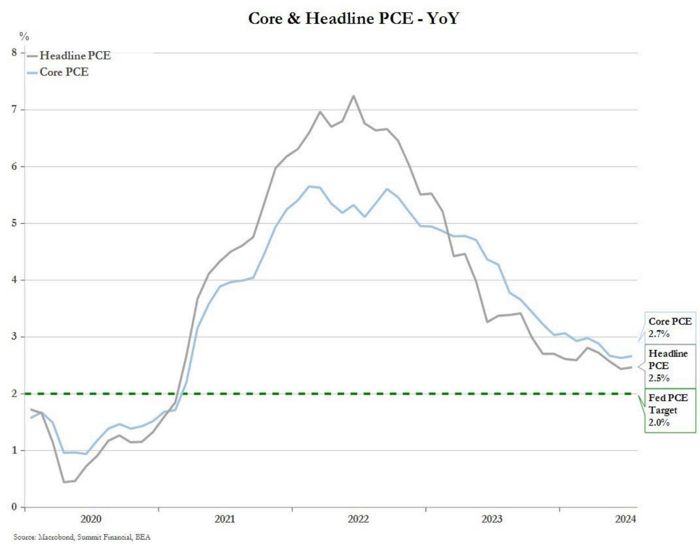
Source: Macrobond, Summit Financial, Bloomberg, MSCI, FTSE, Russell Investment Group, S&P Global, HF R

Economy

Donald Trump's victory in the U.S. Presidential Election signals the continuation and potential expansion of policies from his first term, which could have significant implications for global trade, economic growth, and investors alike. Trump's plan to sharply raise tariffs and bring manufacturing back to the U.S. would change the dynamics of trade and reverberate globally. The impact on the U.S. relative to other economies will in part depend on whether trade partners retaliate with restrictions of their own, but it is widely accepted that adding new or increasing existing tariffs will hamper trade and be a headwind for global growth.

Inflation has broadly moderated in recent months, but additional tariffs would reintroduce upward pricing pressure. This would pose a meaningful risk to households within the consumer-driven U.S. economy, though any impact on personal consumption may be partially offset by an increase in disposable income resulting from Trump's plan to lower individual and corporate taxes. The additional revenue generated from tariffs, however, is not expected to offset the lost revenue from broad tax cuts and the aggregate effect of both policies is likely to increase a deficit that some feel is already excessive. As such, any tax-policy changes that eventually get enacted could be tempered compared to proposals made on the campaign trail.

On the other hand, deregulation is likely to be a major theme of Trump's second term and could be a major tailwind for various industries and sectors. Reduced regulatory burdens would provide a boost to the financial services and banking sectors, while less stringent requirements in pharmaceuticals and biotechnology may promote accelerated drug approvals. Cryptocurrencies are expected to get favorable treatment from the Trump administration, while the broader tech sector and AI policy may also benefit from less federal oversight. Increased scrutiny under the Biden administration's FTC hampered M&A activity, which could now bounce back and provide a boost to both public and private markets, which have seen a dramatic slowdown in deal flow since the onset of the Covid-19 pandemic.

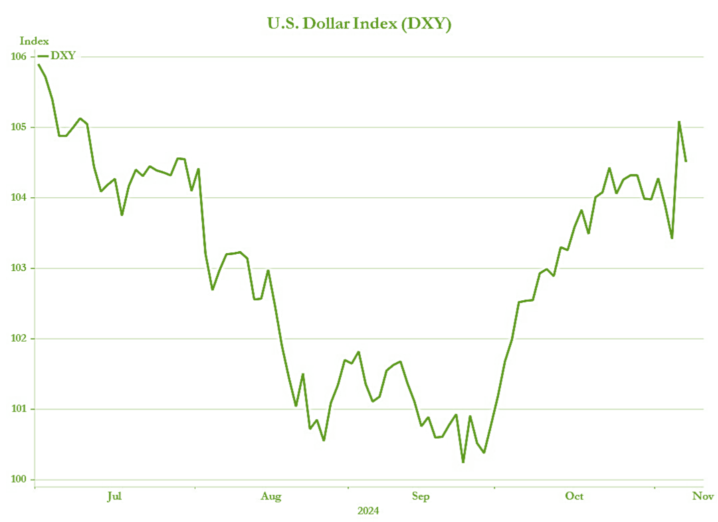


Policies supporting national security, including defense spending, cybersecurity, and the reshoring of the semiconductor industry, are expected to remain robust driven by ongoing geopolitical tensions and the strategic goal to reduce reliance on foreign suppliers of critical materials.

Domestic oil and natural gas producers are likely to benefit from easier permitting processes and accelerated approval timelines. Conversely, the clean energy sector, along with the electric vehicle industry and related infrastructure may see less federal support, leading to slower growth and innovation.

USD Strengthens, Continuing Recent Trend

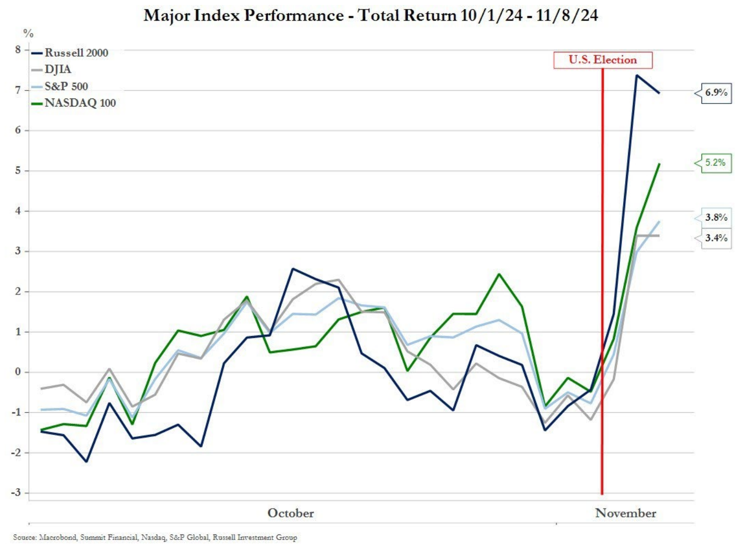
- Speculation that Trump's policies would keep U.S. interest rates elevated led the USD to strengthen against all of its major counterparts.
- Increased spending, a hotter economy, and high bars for international trade would all contribute to dollar strength and are consistent with the new administration's plans.
- A rising dollar could help to moderate any inflation resulting from tariffs, but would also hurt the competitiveness of American products abroad, making it somewhat of a double-edged sword.
- Additionally, earnings of multinational U.S. companies, some of which have been key drivers of the S&P 500's impressive post-Covid recovery, could take a hit as they need to convert foreign profits into dollars.



Markets

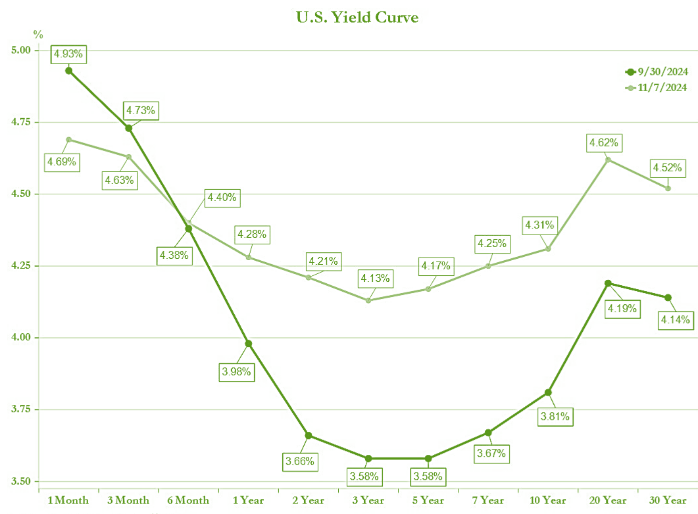
U.S. Equity Markets Lack Direction in October, Jump Post-Election

- After trading sideways throughout October, U.S. equities began moving higher on election day and surged following the announcement of Trump's victory.
- The financial, energy, and industrial sectors are expected to benefit from Trump policies and posted strong gains.
- The renewable energy sector, however, has declined as Trump is expected to favor policies that would benefit American oil companies and reverse some of the previous administration's climate initiatives.
- Non-U.S. markets have been mixed, as the potential impacts of tariffs and a stronger U.S. dollar on the global economy remain unclear.



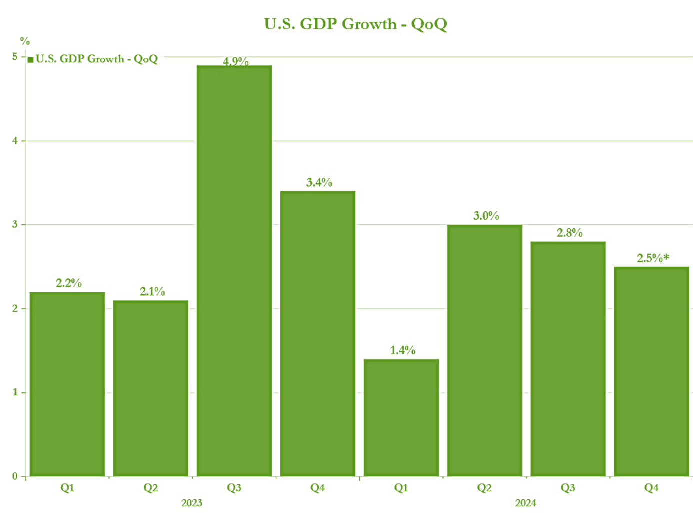
Yields Move Higher Despite Fed Cuts

- Bonds, on the other hand, sold off across many developed markets as Trump's reelection renewed concerns about inflation and economic growth.
- Since bottoming near 3.6% following the Fed's 50 bp rate cut in mid-September, the yield on 10-year Treasuries eclipsed 4.4% leading up to the Fed's November FOMC decision.
- As widely expected, Fed Chair Powell announced a 25 bp cut after the meeting, but economists and strategists have dialed back their expectations for additional cuts in December and throughout 2025.
- Prior to the election, a weakening U.S. labor market was expected to drive future rate decisions, but confidence in inflation's defeat may soon begin to wane.



Economy, Consumer Remain Resilient in Q3

- The U.S. economy continued to expand at a robust pace in Q3, growing at 2.8% according to the initial the Bureau of Economic Analysis estimate.
- Consumer spending, which accounts for the largest share of economic activity, advanced 3.7%, the most since early 2023.
- The October jobs report revealed that employers added a strikingly low 12,000 jobs during the month, down from 254,000 in September, but markets and the FOMC shrugged off the headline as most of the decline was explained by recent hurricanes and labor strikes while unemployment stayed flat at 4.1%.
- The Atlanta Fed's latest GDPNow estimate for Q4 growth came in at 2.5%, dropping slightly from its initial estimate of 2.7%.



Disclaimer

This commentary was authored by the investment team 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.

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. Economic and market forecasts presented herein reflect our judgment as of the date of this presentation and are subject to change without notice. Any forecasts are subject to high levels of uncertainty that may affect actual performance. Accordingly, forecasts should be viewed as merely representative of a broad range of possible outcomes. Forecasts are estimated, based on assumptions, and are subject to significant revision and may change materially as economic and market conditions change. Forecasts do not take into account the specific investment objectives, restrictions, tax and financial situation or other needs of any specific client.

Label	Index	Index Description
U.S. Agg	Bloomberg U.S. Aggregate Bond Index	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).
Global Agg ex USD	Bloomberg Global Aggregate Index	The Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes Treasury, government-related, corporate, and securitized fixed-rate bonds from both developed and emerging markets issuers.
Municipal	Bloomberg Municipal Bond Index	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.
Russell 3000	Russell 3000 Index	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 included.
Russell 2000	Russell 2000 Index	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.
S&P 500	S&P 500 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.
MSCI EAFE (Dev)	MSCI EAFE Index	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.
MSCI Emerging Markets	MSCI Emerging Markets Index	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.
HFRX Global HF	HFRX Global Hedge Fund Index	The HFRX Global Hedge Fund Index is comprised of funds representing the overall hedge fund universe. Constituent funds include but are not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event-driven, macro, merger arbitrage, and relative value arbitrage. The underlying strategies are asset-weighted based on the distribution of assets in the hedge fund industry.
Developed Real Estate	FTSE EPRA/NAREIT Developed Index	The FTSE EPRA/NAREIT Developed Index is designed to track the performance of listed real estate companies and REITS worldwide. Index constituents are free float-adjusted, subject to liquidity, size, and revenue screening for inclusion.
BBG Commodity	Bloomberg Commodity Index	The Bloomberg Commodity Index reflects commodity futures price movements and is calculated on an excess return basis. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production, and weight-caps are applied at the commodity, sector, and group level for diversification. The roll period typically occurs from the 6th-10th business day based on the roll schedule.
CBOE Consumer Confidence Index	CBOE Consumer Confidence Index	The Consumer Confidence Index reports how consumers feel about the current situation of the economy and about where they feel it is headed. Conducted by the Conference Board, the survey consists of five questions about the present situation and three questions about their expectations for the economy in the future. It provides insight into how they spend and save, which helps businesses and economic leaders track inflation and output.
U.S. Dollar Index (DXY)	U.S. Dollar Index (DXY)	The U.S. Dollar Index (DXY) is an index of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners' currencies. The Index goes up when the U.S. dollar gains "strength" (value) when compared to other currencies.
DJIA	Dow Jones Industrial Average	The Dow Jones Industrial Average (DJIA), commonly known as "The Dow", is a price-weighted measure of 30 U.S. blue-chip companies. The index covers all industries except transportation and utilities.