WEEK IN REVIEW

October 25, 2019

The Bottom Line

- Major stock indices narrowly missed record highs but still advanced for a third straight week as corporate earnings took the spotlight from geopolitical concerns. The S&P 500 was up +1.2% while bonds were slightly down.
- It was a busy week for earnings with nearly 25% of S&P 500 companies reporting results this week. That puts the total of reported companies at about 40% and so far results have held up relatively well.
- The European Central Bank (ECB) left rates unchanged and left forward guidance steady, suggesting that the main interest rates will remain at their current level or lower until they see signs of inflation accelerating.

Earnings mixed but holding up

With nearly 40% of the constituents of the S&P 500 Index having reported Q3-2019 earnings, blended earnings per share (which combines reported data with estimates for those who have yet to report) shows that earnings growth is running at a -3.8% year-over-year pace while revenues are seen rising 2.9% compared with the same quarter a year ago, according to FactSet Research. To date, 78% of S&P companies have beaten analyst expectations. Monday saw a continuation of last week's positive earnings trends, but then earnings hit a rough patch allowing investors to see some of the impacts from U.S.-China trade tensions, Brexit, and the global slowdown. Big global blue-chip firms like Caterpillar and Texas Instruments disappointed as equipment orders and shipments both posted declines that were worse than analysts expected. Still forward earnings guidance has not been as negative as analysts expected. Firms with domestically-oriented business and revenues seem to be supported by data indicating U.S. consumers are still healthy enough to keep spending and driving growth. Friday also brought some optimism regarding U.S.-China trade after reports suggested a constructive call between negotiators.

Digits & Did You Knows

COPY THAT: In a Queens, N.Y., lab on October 22, 1938, Chester Carlson coated a six-square-inch zinc plate with sulfur, charged it with static electricity by rubbing it with a hankie, and exposed it for 10 seconds to a glass slide reading "10-22-38 Astoria." He pressed a piece of wax paper against the plate and peeled it away to reveal the world's first photocopy. Later commercialized by The Haloid Co., now Xerox, it took 21 years to bring to market (source: WSJ).

A FAILURE TO PLAN: 25% of American seniors receive at least 90% of their pre-tax income from their monthly Social Security retirement benefit (source: AARP, BTN Research).

Market Snapshot	Index Level	1-week Price Return	YTD Price Return
EQUITIES			
S&P 500	3,022.55	**+1.22%**	**+20.57%**
Nasdaq Composite	8,243.12	**+1.90%**	**+24.23%**
Russell 2000	1,558.71	**+1.51%**	**+15.58%**
Nikkei-225 (Japan)	22,799.81	**+1.37%**	**+13.91%**
STOXX Europe 600	398.01	**+1.57%**	**+17.88%**
RATES			
2-Year UST Note	1.62	5 bps	-87 bps
10-Year UST Note	1.80	4 bps	-89 bps

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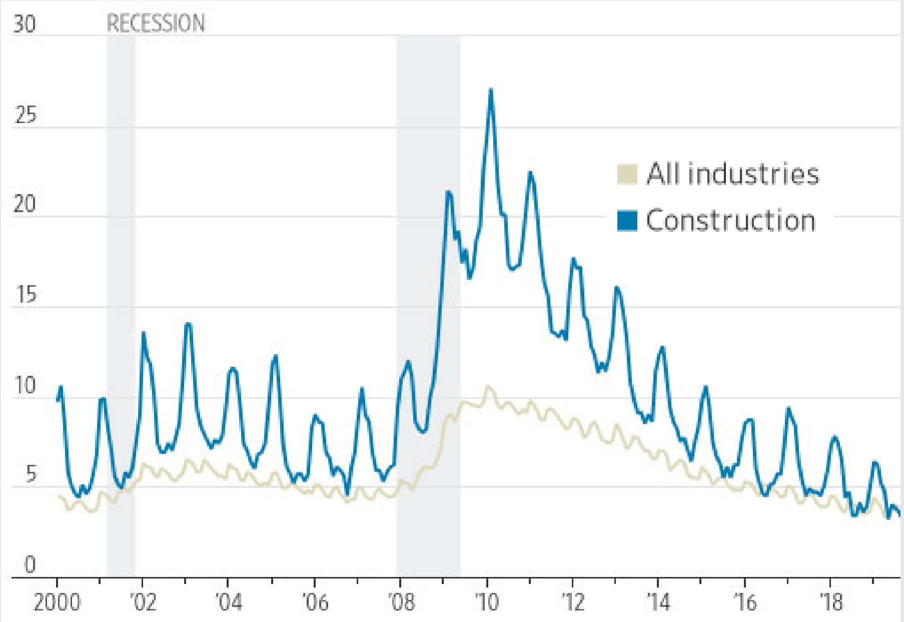
Chart of the Week

After two months of gains in July and August, the U.S. housing market took a step back in September, with home sales falling -2.2%. On a year-over-year basis, prices were up +5.9% with the median price for an existing home at $272,100 in September. A lack of homes for sale and elevated prices interrupted what had been a rebound in the second half of 2019. One of the reasons for the lack of housing inventory is that home construction remains below average. Builders point to the difficulty in finding, and keeping, enough workers for all of the demand. As this week's chart shows, the September unemployment rate for construction is at 3.2%, which is lower than the 3.5% national rate, and marks the lowest level for the month of September since the series began in 2000.

U.S. Unemployment Rates



Source: Labor Department, Wall Street Journal

Central bankers cutting worldwide

The Financial Times reports that 24 out of 41 central banks of the world's major economies (59%) reduced their key benchmark interest rate during the 3rd quarter 2019. Of course that included the Federal Reserve in the U.S. Just 3 of the 41 central banks (7%) raised interest rates last quarter. That is no surprise given the continued stagnation of economic growth globally. The Eurozone is a prime example and this week brought more confirmation that the area's economies are stuck in the mud. The IHS Markit's composite purchasing managers index (PMI), which measures activity in the manufacturing and service sectors, crept up to a preliminary reading of 50.2 in October, barely above 50 which is the level that separates expansion from contraction. "The manufacturing downturn remains the fiercest since 2012, and continues to infect the service sector," IHS Markit economist Chris Williamson said. With that backdrop the European Central Bank (ECB) left rates unchanged and left forward guidance steady, suggesting that the main interest rates will remain at their current level or lower, for the foreseeable future. Hungary also left its monetary policy unchanged this week. The US Federal Reserve is expected to lower rates by another 25 basis points again next week.

The Week Ahead

Monday	• Chicago & Dallas Fed Activity Indexes • Retail & Wholesale Inventories • International Trade
Tuesday	• S&P CoreLogic CS Home Price Index • Conf. Bd Consumer Confidence • Pending Home Sales
Wednesday	• ADP Employment Change • Gross Domestic Product (GDP) • FOMC Rate Decision & Press Conf
Thursday	• Initial Jobless Claims • Challenger Job-Cut Report • Employment Cost Index • Personal Income & Spending • Chicago PMI
Friday	• Employment Situation • Markit US Manufacturing PMI • ISM Manufacturing Index • Construction Spending

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Asset Class Performance

WEEK IN REVIEW

The Importance of Diversification. From period to period there is no certainty what investment will be the best performer… or the worst. Diversification mitigates the risk of relying on any single investment and offers a host of long-term benefits, such as lowering portfolio volatility, improving risk-adjusted returns, and helping investments to compound more effectively.

	Monday	Tuesday	Wednesday	Thursday	Friday	WEEK	
High	Small Value 0.96	Small Value 0.46	Intl Equity 0.54	Mid Growth 1.00	Emg Markets 0.71	Small Value 1.82	High
	Emg Markets 0.91	Intl Bonds 0.25	Small Value 0.39	Large Growth 0.78	Small Growth 0.57	Emg Markets 1.72	
	Small Growth 0.88	Large Value 0.24	Large Value 0.24	Intl Equity 0.18	Small Value 0.57	Large Value 1.48	
	Large Value 0.75	Mid Value 0.19	Mid Value 0.23	Small Growth 0.14	Large Value 0.45	Small Growth 1.22	
	Mid Value 0.74	U.S. Bonds 0.15	Large Growth 0.22	High Yield Bond 0.11	Mid Growth 0.42	Mid Value 1.18	
	Real Estate 0.73	Emg Markets 0.07	Mid Growth 0.21	60/40 Allocation 0.10	Large Growth 0.38	Intl Equity 1.13	
	Large Growth 0.59	High Yield Bond 0.02	60/40 Allocation 0.20	U.S. Bonds 0.03	Mid Value 0.12	Large Growth 1.05	
	Intl Equity 0.54	60/40 Allocation -0.06	Real Estate 0.14	Intl Bonds 0.00	60/40 Allocation 0.11	Mid Growth 1.03	
	Mid Growth 0.48	Intl Equity -0.24	High Yield Bond 0.09	Emg Markets 0.00	Intl Equity 0.10	60/40 Allocation 0.67	
	60/40 Allocation 0.32	Small Growth -0.29	U.S. Bonds 0.08	Mid Value -0.11	High Yield Bond 0.08	High Yield Bond 0.34	
	High Yield Bond 0.03	Real Estate -0.33	Emg Markets 0.02	Real Estate -0.13	U.S. Bonds -0.14	U.S. Bonds -0.16	
	Intl Bonds -0.16	Large Growth -0.91	Small Growth -0.08	Large Value -0.21	Intl Bonds -0.34	Intl Bonds -0.43	
Low	U.S. Bonds -0.27	Mid Growth -1.06	Intl Bonds -0.18	Small Value -0.55	Real Estate -1.02	Real Estate -0.61	Low

Source: Bloomberg. Asset-class performance is presented by using market returns from an exchange-traded fund (ETF) proxy that best represents its respective broad asset class. Returns shown are net of fund fees for and do not necessarily represent performance of specific mutual funds and/or exchange-traded funds recommended by the Prime Capital Investment Advisors. The performance of those funds may be substantially different than the performance of the broad asset classes and to proxy ETFs represented here. U.S. Bonds (iShares Core U.S. Aggregate Bond ETF); High-Yield Bond (iShares iBoxx $ High Yield Corporate Bond ETF); Intl Bonds (SPDR® Bloomberg Barclays International Corporate Bond ETF); Large Growth (iShares Russell 1000 Growth ETF); Large Value (iShares Russell 1000 Value ETF); Mid Growth (iShares Russell Mid-Cap Growth ETF); Mid Value (iShares Russell Mid-Cap Value ETF); Small Growth (iShares Russell 2000 Growth ETF); Small Value (iShares Russell 2000 Value ETF); Intl Equity (iShares MSCI EAFE ETF); Emg Markets (iShares MSCI Emerging Markets ETF); and Real Estate (iShares U.S. Real Estate ETF). The return displayed as "Allocation" is a weighted average of the ETF proxies shown as represented by: 30% U.S. Bonds, 5% International Bonds, 5% High Yield Bonds, 10% Large Growth, 10% Large Value, 4% Mid Growth, 4% Mid Value, 2% Small Growth, 2% Small Value, 18% International Stock, 7% Emerging Markets, 3% Real Estate.

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