WEEK IN REVIEW

November 1, 2019

The Bottom Line

- After narrowly missing all-time highs last week stocks hit them three times this week. The S&P 500 market new highs on Monday, Wednesday and Friday. It was the fourth week of gains for the S&P including back-to-back +1% weeks. The Nasdaq also finished at an all-time high.
- On balance it was a very favorable week for economic data. Third quarter GDP growth and October job gains were better than expected and the Fed cut interest rates.
- The U.S. and China provided positive statements about the progress of phase one of the trade agreement. Meanwhile there were positive signs that the global economic slowdown may be subsiding and turning up.

More Treats than Tricks

From a macroeconomic perspective, a conceivable worst case scenario from just a couple weeks ago is now considerably better. In what was an extremely busy week of economic, earnings, and political activity – that presented plenty of potential trip wires – the vast majority of it came out favorably. In fact better-than-expected earnings and economic reports fueled stocks to record highs. The S&P 500 opened and closed the week at record highs, marking the fourth straight week of gains, including back-to-back +1% weeks. The U.S. economy slowed less than expected in the third quarter, with GDP just -0.1% less than the second quarter's 2.0% growth rate. Consumer spending was once again the bright spot and was responsible for the majority of the growth in the quarter. October employment easily beat expectations, and data for the prior two months was revised higher. Wages grew +3% above year-ago levels, outpacing inflation. 70% of S&P 500 companies have reported earnings for the third quarter and 75% have beat analysts expectations. And even though the majority of firms are still lowering their forward guidance, estimates are falling at a decreasing rate which is positive for stocks looking forward.

Digits & Did You Knows

LOGIN: On October 29, 1969, the first ancestor of the internet was born. The first ever communication between computers at separate sites occurred over the ARPANET when Charley Kline, working at UCLA, logged into the computer system at Stanford Research Institute. The first attempt crashed the system when Kline typed the letter G of LOGIN, but eventually he got through. (source: WSJ).

GOOD CALL: Jeff Bezos, the founder of Amazon and the world's richest person (worth $114 billion as of October 2019) was Time Magazine's "Person of the Year" in 1999. The 12/27/99 cover declared "E-commerce is changing the way the world shops" (source: Time, BTN Research).

Market Snapshot	Index Level	1-week Price Return	YTD Price Return
EQUITIES			
S&P 500	3,066.91	**+1.47%**	**+22.34%**
Nasdaq Composite	8,386.40	**+1.74%**	**+26.39%**
Russell 2000	1,589.33	**+1.96%**	**+17.85%**
Nikkei-225 (Japan)	22,850.77	**+0.22%**	**+14.17%**
STOXX Europe 600	399.43	**+0.36%**	**+18.30%**
RATES			
2-Year UST Note	1.55	-7 bps	-94 bps
10-Year UST Note	1.71	-8 bps	-97 bps

QUALIFIED PLAN ADVISORS

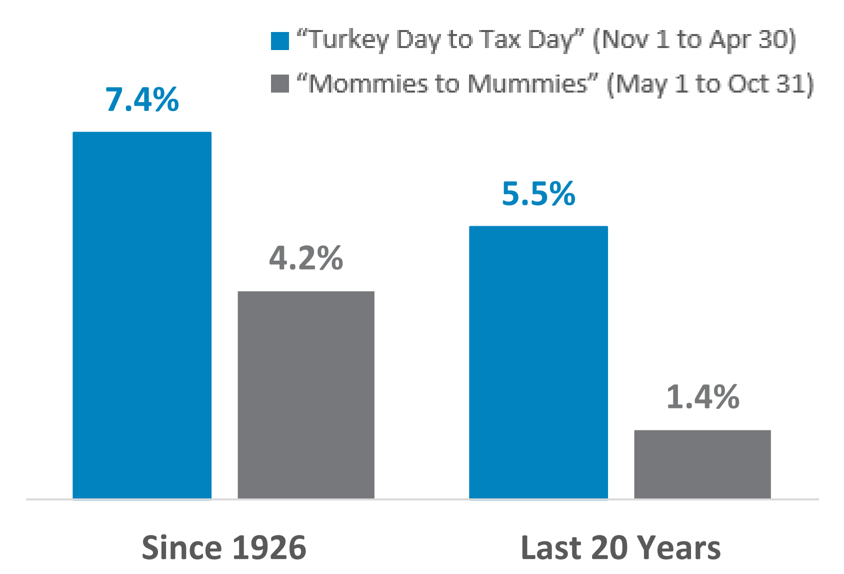
WEEK IN REVIEW

Chart of the Week

The Chart of the Week, courtesy of BlackRock, shows the seasonal "Best Six Months" phenomenon. It is essentially the flipside of the old "Sell in May and Go Away" market adage. The Stock Trader's Almanac decades of historical research discovered that most market gains occurred during the months from November through April. In this exhibit BlackRock dubbed this the "Turkey to Tax" period, to coincide with Thanksgiving Day in November and Tax Day in April. Of course the opposing period denotes Mother's Day in May through Halloween in October. The returns for the last 20 years have been lower than those for the period beginning in 1926, but still validates a distinct advantage for the Nov-Apr six months. It should also be noted that although the May-Oct periods have relatively lower returns, they are still positive.

Stocks entering "Turkey to Tax" Period

Average 6-month cumulative returns



Source: BlackRock, Morningstar. Stock market represented by S&P 500 from 1/1/70 to 9/3019 and the IA SBBI US Large Cap Index from 1/1/26 to 1/1/70.

Good here and good there

It has been a long time since U.S. economic and earnings results have been so favorable simultaneously. It has been even longer since overseas developments have also been positive on balance. It was a fresh round of trade optimism from the White House on Monday that helped stocks hit their 14th record close of the year. As expected, on Wednesday the Federal Reserve cut fed funds by 25bps for the third time this year. That and the better-than-expected GDP data helped the S&P notch another record close. More solid earnings and positive jobs report pushed stocks to the 16th all-time high in 2019 on Friday. But it has been a long while since global macro data has coincided with encouraging U.S. action. The early week trade optimism was reinforced Friday afternoon as China said it achieved "consensus in principle" with the U.S. on the first phase of a trade agreement. Another big geopolitical tail risk was gone after the October 31 no-deal Brexit was removed as the British Parliament voted overwhelmingly for a general election on December 12. China's official manufacturing PMI contracted further in October, to 49.3 from 49.8 in September, but the private sector Caixin measure expanded in October. In terms of month-over-month changes in global manufacturing PMIs, they are the most improved in October as they have been in months, providing some optimism that the worst of the global slowdown may be over. Germany, France and the U.K. all ticked up for the month.

The Week Ahead

Monday	• Durable Goods & Factory Orders
Tuesday	• Balance of Trade • Markit PMI Services Index • ISM Non-Manufacturing Index • Job Openings and Labor Turnover Survey (JOLTS)
Wednesday	• MBA Mortgage Applications • Productivity and Costs
Thursday	• Initial Jobless Claims • Consumer Credit
Friday	• Consumer Sentiment • Wholesale Trade

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 Growth 0.99	Small Growth 0.36	Real Estate 0.55	Intl Bonds 0.80	Small Growth 1.71	Small Growth 2.47	High
	Large Growth 0.87	Small Value 0.35	Large Growth 0.54	U.S. Bonds 0.39	Small Value 1.63	Large Growth 1.67	
	Small Value 0.68	Real Estate 0.34	Emg Markets 0.44	60/40 Allocation -0.10	Emg Markets 1.50	Small Value 1.50	
	Mid Growth 0.63	Large Value 0.23	Intl Equity 0.42	Real Estate -0.17	Mid Value 1.27	Intl Equity 1.49	
	Emg Markets 0.59	Mid Value 0.22	Mid Growth 0.34	Large Growth -0.22	Large Value 1.12	Large Value 1.27	
	Intl Equity 0.45	Intl Bonds 0.18	U.S. Bonds 0.28	Intl Equity -0.24	Mid Growth 0.97	Mid Growth 1.24	
	Large Value 0.28	U.S. Bonds 0.01	60/40 Allocation 0.26	High Yield Bond -0.34	Intl Equity 0.89	Emg Markets 1.22	
	60/40 Allocation 0.22	Mid Growth 0.00	Intl Bonds 0.22	Large Value -0.43	Large Growth 0.82	Mid Value 1.12	
	Mid Value 0.22	60/40 Allocation -0.01	Large Value 0.06	Small Growth -0.51	60/40 Allocation 0.65	Intl Bonds 1.10	
	Intl Bonds -0.01	Intl Equity -0.03	Mid Value -0.02	Mid Value -0.57	High Yield Bond 0.43	60/40 Allocation 1.02	
	High Yield Bond -0.01	High Yield Bond -0.18	Small Growth -0.09	Small Value -0.59	U.S. Bonds 0.03	U.S. Bonds 0.50	
	U.S. Bonds -0.21	Large Growth -0.35	High Yield Bond -0.13	Mid Growth -0.70	Real Estate -0.07	Real Estate 0.11	
Low	Real Estate -0.54	Emg Markets -0.51	Small Value -0.56	Emg Markets -0.79	Intl Bonds -0.10	High Yield Bond -0.24	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.

Advisory services offered through Prime Capital Investment Advisors, LLC. ("PCIA"), a Registered Investment Adviser. PCIA doing business as Prime Capital Wealth Management ("PCWM") and Qualified Plan Advisors ("QPA").

QUALIFIED PLAN ADVISORS