WEEK IN REVIEW

November 8, 2019

The Bottom Line

- Stocks continued their winning ways, extending gains for a fifth straight week now – the longest streak since February. There was some style rotation to value, which topped growth and momentum styles.
- The yield on the 10-year Treasury note closed at its highest level since July as bond prices fell and for the first time in 11 months there's no inversion anywhere on the yield curve – helping to ease recession concerns.
- US-China trade stayed the center of attention, especially after conflicting headlines about whether an agreement to roll back tariffs was made. Nevertheless, markets went with the consensus view that a deal will be settled on.

More confident about economic growth

Investors are growing more confident about economic growth and are rotating to risk assets across the globe. Shares of cyclical stocks and emerging markets led the week at the expense of safer havens like U.S. Treasuries and global bonds. Shares of financials and energy companies led the S&P 500 as the biggest winners this week, helping power value styles over growth and momentum. US-China trade remained a dominant theme throughout the week, especially after conflicting headlines came on Thursday and Friday about whether or not an agreement to roll back tariffs was made. Ultimately markets seem accepting of a consensus view that a deal will be settled on, stripping away a major uncertainty that had been looming over investors. Adding to the enthusiasm, earnings have largely been better than investors had expected. With nearly 90% of the S&P 500 Index constituents having reported for the third quarter, earnings growth is running at a -1.01% rate versus last quarter, while revenues are seen rising +3.76%, according to Bloomberg data. Though lower than the prior quarter that growth is a lot better than the -4% earnings growth drop analysts had anticipated at the start of the reporting period.

Digits & Did You Knows

REAL MARKET HISTORY: On November 6 in 1851, Charles Henry Dow was born on his family's farm in Sterling, Connecticut. After toiling as a reporter with the Springfield, Mass., Daily Republican and the Providence, R.I., Morning Star and Evening Press, he founded Dow, Jones & Co. in 1882 and devised the Dow Jones Industrial Average in 1896. (source: WSJ)

TAKE THIS JOB AND LOVE IT: On 11/7/2008, in the grip of the financial crisis, the Labor Department said the U.S. jobless rate jumped to a 14-year high of 6.5% in October of that year." It eventually hit 10% in October 2009, but is now at 3.6% just above its historic low. (source: WSJ)

Market Snapshot	Index Level	1-week Price Return	YTD Price Return
EQUITIES			
S&P 500	3,093.08	**+0.85%**	**+23.39%**
Nasdaq Composite	8,475.31	**+1.06%**	**+27.73%**
Russell 2000	1,598.86	**+0.60%**	**+18.56%**
Nikkei-225 (Japan)	23,391.87	**+2.37%**	**+16.87%**
STOXX Europe 600	405.42	**+1.50%**	**+20.07%**
RATES			
2-Year UST Note	1.68	12 bps	-81 bps
10-Year UST Note	1.94	23 bps	-75 bps

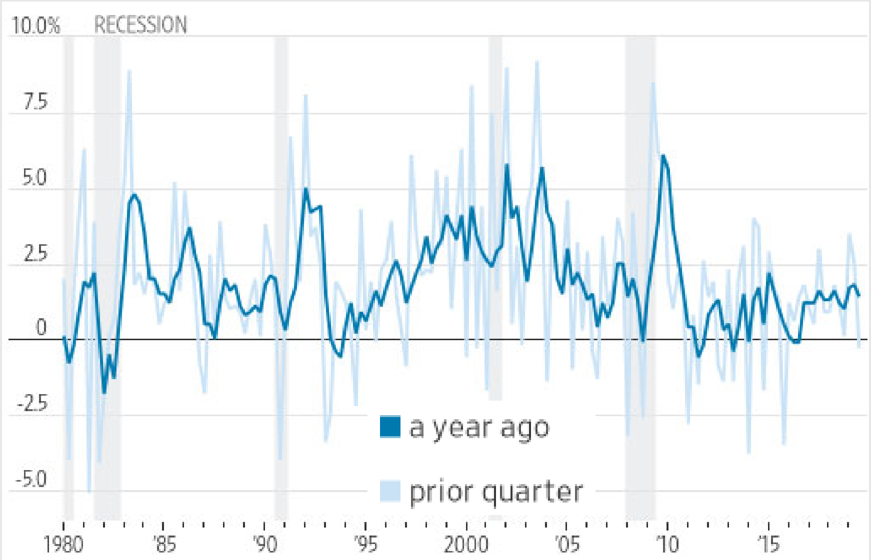
QUALIFIED PLAN ADVISORS

Chart of the Week

There are ultimately two factors that determine how fast an economy can grow: how much people work and how efficiently they work. So economic growth depends on growth in the total number of hours people work plus productivity growth. That may pose a challenge for the U.S. after worker productivity in the third quarter posted its first quarterly decline since late 2015. From a year earlier, productivity advanced 1.4%, close to the 1.3% annual average from 2007 through 2018. The current rate of productivity growth is well behind the 2.1% annual average since the end of World War II. There is concern that weaker productivity growth alongside rising labor costs could squash corporate profits as well as the broader economy. The good news is that rising labor costs may now be providing companies more reason to invest in productivity.

U.S. labor productivity

Change from a year ago and from prior quarter



Note: change from prior quarter measured at a seasonally adjusted annual rate.
Source: Labor Department, The Wall Street Journal.

Economic rundown

- A slump in **factory orders** reflects weaker capex demand amid a manufacturing slowdown. A U.S.-China trade deal, a potential Brexit agreement, and congressional passage of the U.S.-Mexico-Canada Agreement (USMCA, a.k.a the new/replacement NAFTA) could all help manufacturing and capital expenditures if they could get implemented.
- An uptick in mortgage rates has weighed somewhat on **mortgage applications**, but on a year-over-year basis trends are still positive.
- The **ISM Non-Manufacturing Index** rebounded 2.1 points in October to 54.7, above the expectations of 53.5, as services activity accelerated. It shows that manufacturing weakness (which has now contracted for three straight months) is not a major drag on the rest of the economy.
- **Job openings** decreased 3.8% in September to 7.0 million, the lowest level since March 2018. Initial claims for unemployment insurance fell 8,000 to 211,000, below the consensus of 215,000. As long as layoffs remain low, the risk of recession will also be limited.
- **Consumer confidence** ticked higher in early November with the University of Michigan Consumer Sentiment Index at 95.7, up slightly from 95.5 at the end of October. Sentiment remains elevated, which suggests that consumer spending will continue to support the ongoing economic expansion.

The Week Ahead

Monday	• Veterans Day
Tuesday	• NFIB Small Business Optimism Index
Wednesday	• MBA Mortgage Applications • Consumer Price Index (CPI) • Federal Reserve Chairman Jerome Powell Speaks to Congress
Thursday	• Initial Jobless Claims • Producer Price Index (PPI)
Friday	• Retail Sales • Empire State Manufacturing • Industrial Production • Business Inventories

November 8, 2019

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	Emg Markets 0.99	Emg Markets 0.57	Real Estate 0.29	Emg Markets 0.73	Small Growth 0.45	Large Value 1.21	High
	Small Value 0.98	Small Growth 0.29	U.S. Bonds 0.15	Large Value 0.37	Mid Growth 0.43	Emg Markets 1.06	
	Mid Value 0.62	Small Value 0.09	Large Growth 0.04	Large Growth 0.32	Large Growth 0.40	Small Value 0.84	
	Large Value 0.61	Large Value 0.06	Large Value 0.00	Intl Equity 0.31	Mid Value 0.17	Mid Value 0.69	
	Intl Equity 0.51	Mid Value 0.00	60/40 Allocation -0.04	Small Value 0.28	Large Value 0.17	Large Growth 0.62	
	High Yield Bond 0.21	High Yield Bond -0.10	Intl Equity -0.04	Small Growth 0.28	High Yield Bond 0.09	Intl Equity 0.53	
	60/40 Allocation 0.19	Intl Equity -0.19	High Yield Bond -0.12	Mid Growth 0.18	Small Value 0.07	Small Growth 0.44	
	Large Growth 0.16	60/40 Allocation -0.22	Mid Growth -0.17	Mid Value 0.10	60/40 Allocation -0.01	High Yield Bond 0.03	
	Small Growth 0.06	Large Growth -0.30	Mid Value -0.21	60/40 Allocation 0.00	Intl Bonds -0.03	Mid Growth -0.03	
	Mid Growth -0.09	Mid Growth -0.37	Intl Bonds -0.21	High Yield Bond -0.05	U.S. Bonds -0.05	60/40 Allocation -0.06	
	U.S. Bonds -0.25	U.S. Bonds -0.37	Emg Markets -0.32	U.S. Bonds -0.47	Intl Equity -0.06	U.S. Bonds -0.99	
	Intl Bonds -0.44	Intl Bonds -0.68	Small Value -0.58	Intl Bonds -0.48	Real Estate -0.19	Intl Bonds -1.82	
Low	Real Estate -0.78	Real Estate -1.63	Small Growth -0.64	Real Estate -0.95	Emg Markets -0.91	Real Estate -3.22	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.

QUALIFIED PLAN ADVISORS