

WEEK IN REVIEW



November 29, 2019

The Bottom Line

- Investors weren't buying on Black Friday but global stocks still posted another solid weekly advance. U.S. small capitalization stocks were the leaders for the Thanksgiving-shortened week while emerging markets equities were the laggards.
- The 10-year Treasury yield was little changed during the short week, closing at 1.78%, up just +1 basis point. U.S. Global bonds were among the laggards for the week.
- U.S. and China trade negotiators spoke by phone Tuesday and Chinese officials said the two sides had "reached consensus on properly resolving relevant issues" and had agreed to continue working toward a trade resolution.

Stocks hit new highs, trade still the story

Many major U.S. indices recorded new record highs on Wednesday ahead of the Thanksgiving holiday. Stocks did slide a bit on Friday amid fresh concerns over U.S.-China relations after President Trump signed a bill supporting Hong Kong protesters. On Tuesday U.S. and China trade negotiators spoke by phone and Chinese officials reported the two sides had "reached consensus on properly resolving relevant issues" and had agreed to continue working toward a resolution of the remaining issues addressed by the phase-one deal. However, on Friday some of the "phase one" trade optimism dissipated following the signing of the legislation supporting Hong Kong protesters. Markets initially seemed unconcerned with President Trump's signing of the bill but then appeared to reconsider whether China could retaliate. With the next batch of American tariffs on Chinese goods due to begin December 15, investors will be anxious for evidence of progress on a trade deal, especially with the added tension from the Hong Kong protests. U.S. consumers have been the foundation of this market expansion (see the Chart of the Week) so their holiday spending will also be closely watched into the year-end holiday season.

Digits & Did You Knows

WHO ME: This week in 1991, in a voice vote not recorded by the customary roll call (to hide from angry constituents), both houses of Congress passed legislation bailing out the savings and loan industry. The bailout bill put another \$25 billion of taxpayers' money into the S&L bailout and authorized up to \$35 billion in new borrowings to finance the government's purchase of bad loans. (source: WSJ)

PLAYING CATCH-UP: The Russell 2000 small-cap stock index hit a new 52-week high on Wednesday, its highest close since Oct. 8, 2018. It has lagged the large-cap U.S. stock indexes, which hit records highs Wednesday. As of Friday it was still -6.7% below its Aug. 31, 2018 record. (source: WSJ)

Market Snapshot	Index Level	1-week Price Return	YTD Price Return
EQUITIES			
S&P 500	3,140.98	+0.99%	+25.30%
Nasdaq Composite	8,665.47	+1.71%	+30.60%
Russell 2000	1,624.50	+2.24%	+20.46%
Nikkei-225 (Japan)	23,293.91	+0.78%	+16.38%
STOXX Europe 600	407.43	+0.85%	+20.67%
RATES			
2-Year UST Note	1.61	-2 bps	-88 bps
10-Year UST Note	1.78	1 bps	-91 bps



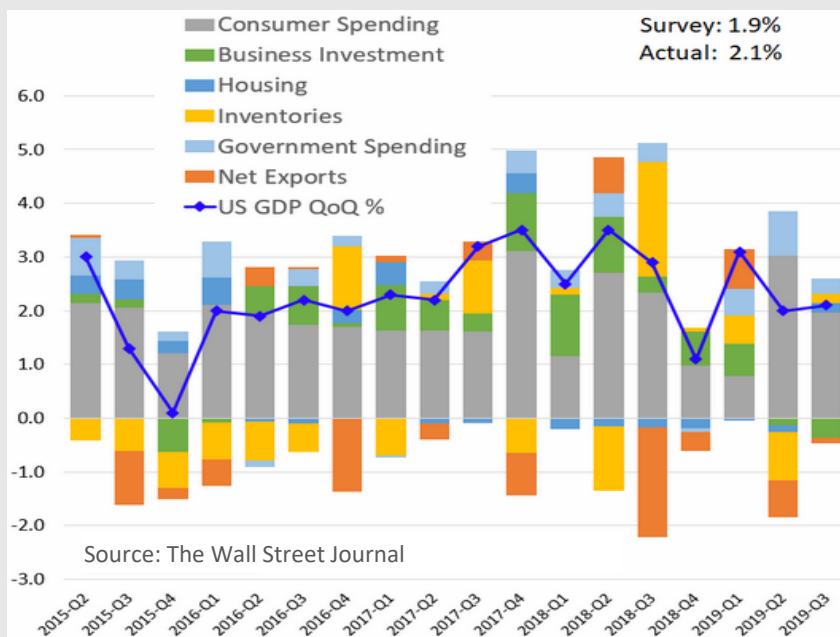
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Chart of the Week

The third-quarter GDP growth was revised higher, largely supported by continued strength in consumer spending which has been the primary driver of economic growth for most of this expansion. Q3 real GDP growth was revised up to a 2.1% annual rate, above the consensus expectations of 1.9%. Much of the revision came from an unwanted build-up in inventories that probably resulted from the uncertainty caused by the ongoing U.S.-China trade war. The first look at corporate profits was uninspiring with an increase of just +0.2% versus +3.8% for the prior quarter. Legal settlements for Facebook and Google hit corporate profits hard, without them profits would have been +1.4%. Durable goods orders did show a rebound in October, with core business orders up +1.2%, which is the most since January, and could indicate better capex to come.

Contribution to Real GDP by Sector (%)



Economic rundown

- **Consumer Confidence** saw a modest downtick, but current levels are still high and bode well for consumer spending into year end.
- Home sales and prices maintain momentum. **New Home Sales** slipped a bit but remain near the highest level since 2007 and all four regions had double-digit year-over-year growth. Home prices were up in September as the **S&P CoreLogic Case-Shiller National Home Price Index** rose 0.4% and the **FHFA Purchase-Only House Price Index** rose 0.6% for the month – the most since February 2018.
- Regional fed activity indices were on the weak side, but outlooks improved. **The Chicago Fed National Activity Index** dropped in October to -0.71, the second lowest level since January 2014. **The Texas Manufacturing General Business Activity Index** ticked up 3.8 points in November, but at -1.3 it remained in negative territory for the second month in a row. The outlook for business conditions in the next six months improved slightly. **The Richmond Fed Manufacturing Activity Index** fell nine points to -1 in November. Optimism about future business conditions increased.

The Week Ahead

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|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Monday | <ul style="list-style-type: none"> • Markit Manufacturing PMI • ISM Manufacturing PMI • Construction Spending |
| Tuesday | <ul style="list-style-type: none"> • US Motor Vehicle Sales |
| Wednesday | <ul style="list-style-type: none"> • Weekly MBA Mortgage Applications • ADP Employment Report • Markit Services PMI • ISM Non-Manufacturing PMI |
| Thursday | <ul style="list-style-type: none"> • Weekly Jobless Claims • Challenger Job-Cuts Report • International Trade • US Factory Orders |
| Friday | <ul style="list-style-type: none"> • Employment & NFP Reports • U. of Michigan Consumer Sentiment • Consumer Credit • Wholesale Inventories |



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 2.50	Real Estate 1.21	Small Growth 0.79		Intl Bonds 0.37	Small Growth 2.96	High
	Small Value 1.87	Mid Growth 0.52	Small Value 0.66		U.S. Bonds -0.12	Real Estate 1.65	
	Mid Growth 1.11	Intl Bonds 0.41	Large Growth 0.57		High Yield Bond -0.22	Large Growth 1.58	
	Large Growth 1.03	Large Growth 0.36	Mid Growth 0.51		Real Estate -0.28	Small Value 1.58	
	Emg Markets 1.00	Small Growth 0.34	Mid Value 0.46		Large Growth -0.39	Mid Growth 1.52	
	Mid Value 0.83	Mid Value 0.17	Large Value 0.37		Large Value -0.39	Mid Value 0.83	
	Intl Equity 0.79	U.S. Bonds 0.14	Real Estate 0.32		60/40 Allocation -0.43	Large Value 0.62	
	60/40 Allocation 0.60	60/40 Allocation 0.13	Intl Equity 0.26		Mid Growth -0.62	60/40 Allocation 0.48	
	Large Value 0.58	High Yield Bond 0.12	60/40 Allocation 0.18		Mid Value -0.63	Intl Equity 0.29	
	Real Estate 0.39	Large Value 0.06	High Yield Bond 0.13		Small Growth -0.68	High Yield Bond 0.29	
	High Yield Bond 0.27	Intl Equity -0.06	Emg Markets 0.12		Intl Equity -0.70	Intl Bonds 0.25	
	U.S. Bonds 0.10	Small Value -0.22	U.S. Bonds -0.12		Small Value -0.71	U.S. Bonds -0.01	
Low	Intl Bonds -0.20	Emg Markets -0.30	Intl Bonds -0.33		Emg Markets -1.57	Emg Markets -0.77	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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