WEEK IN REVIEW

December 13, 2019

The Bottom Line

- President Trump has signed off on a phase-one trade deal with China, meaning tariffs planned for December 15 will be averted. Details were scarce, but appear to include the U.S. rolling back initial tariffs and not imposing new ones. China would buy $50B of agricultural and other goods in 2020 and improve intellectual property protections.
- Stocks jumped to yet more record highs Thursday on the trade deal news. Treasury yields dropped to their lows of the week on Wednesday before spiking on the trade news. The benchmark 10-year UST yield jumped nearly +5%, but those yield gains were largely reversed on Friday, finishing slightly down from the start of the week.

Trade deal helps stocks to more records

It may be Friday the 13th, but investors worldwide are anything but scared. A number of market risks were removed, or substantially reduced, this week which helped fuel the S&P 500 to another all-time high on Thursday – its 27th of 2019. As shown in the Chart of the Week, global stocks finally joined the all-time high parade for the first time in almost two years. The U.S.-China trade deal was certainly a key catalyst boosting global stocks, but Boris Johnson's decisive win in the U.K. general election also removed the risk of political deadlock lock and uncertainty around a U.K.-E.U. Brexit deal. In fact, the Stoxx Europe 600 Index vaulted above its record-high close, while in Britain the FTSE 250 index soared as much as 5.4%, the most in nine years. Other activity with positive implications for global stocks included an agreement between the White House and Democrats in the House of Representatives for passage of the US-Mexico-Canada trade agreement (USMCA, the replacement for the three-decade-old NAFTA treaty) as well as simultaneously solid economic trends from the US, Eurozone, and China in which the Citi Economic Surprise Indexes for all three are rising together for the first time since March 2018.

Digits & Did You Knows

YOU'VE COME A LONG WAY: The bull market for the S&P 500 is now 129 months old. During the bull run, the index has had 14 drops of at least 5%, including 6 drops of at least 10%. But it has been quiet lately. The S&P 500 hasn't had a one-day pullback of 1% or more since October 8th. That's the longest period this year without falling 1% or more. (source: BTN Research, Bloomberg)

DON'T CALL IT A COMEBACK: This week in 1914, the New York Stock Exchange reopened after closing in July due to the outbreak of World War I. By the end of 1915, the stock market had risen nearly 82% as Western Europe supplied its war effort with American goods and weapons. (source: WSJ)

Market Snapshot	Index Level	1-week Price Return	YTD Price Return
EQUITIES			
S&P 500	3,168.80	**+0.73%**	**+26.41%**
Nasdaq Composite	8,734.88	**+0.91%**	**+31.64%**
Russell 2000	1,637.98	**+0.25%**	**+21.46%**
Nikkei-225 (Japan)	24,023.10	**+2.86%**	**+20.03%**
STOXX Europe 600	412.02	**+1.15%**	**+22.03%**
RATES			
2-Year UST Note	1.60	-1 bps	-88 bps
10-Year UST Note	1.82	-2 bps	-86 bps

QUALIFIED PLAN ADVISORS

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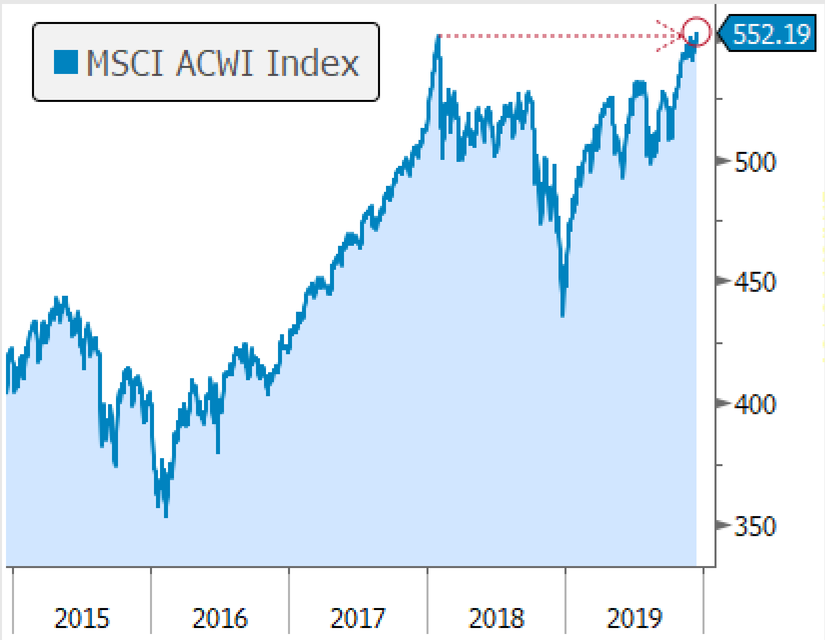
Chart of the Week

The MSCI All-Country World Index (ACWI) hit an all-time high on Thursday, the first time it has exceeded the previous record high from January 26, 2018. Global stocks surged on a series of stock-friendly news. The big early report was that President Trump was ready to sign off on a "phase one" trade deal with China, avoiding a new round of tariffs scheduled for December 15. Also, European Central Bank chairwoman Christine Lagarde held her first press conference and kept investors at ease by leaving the central bank's easy money policy unchanged (just a day after the U.S. Federal Reserve kept rates unchanged). Finally, in the U.K. exit polls showed Boris Johnson was set to win a decisive victory in the general election and puts the country on track to leave the European Union in January. It was all enough to help global stocks hang onto gains and finally break the January 2018 record.

Global stocks finally surpass their January 2018 high



Source: Bloomberg. Data as of December 12, 2009.

Economic rundown

- The **OECD U.S. Composite Leading Indicator (CLI)** made its first gain since April 2018. The CLI was up just 0.1 point to 98.9, still below 100 for the 11th straight month (indicating slower-than-average growth).
- The **Employment Trends Index (ETI)** was up 0.2% in November, and had positive contributions from five of its eight components suggesting a solid jobs market.
- The **NFIB Small Business Optimism Index** improved in November with its biggest increase since May 2018, and matching its highest level in six months.
- **Inflation** was mixed with the **Consumer Price Index (CPI)** a tad up in November, at a +2.1% annual rate, while the **Producer Price Index (PPI)** was flat, near 3-year lows.
- **The Federal Reserve** held its benchmark interest rate steady and signaled no appetite to raise it anytime soon.
- **Jobless claims** spike to highest level in two years, due to holiday volatility.
- Friday's **retail sales** disappointed, rising just +0.2%, well below forecasts for +0.5%.

The Week Ahead

Monday	• Empire State Mfg Survey • Markit Composite PMI (flash) • NHAB Housing Market Index (HMI) • Treasury International Capital Flows
Tuesday	• Housing Starts • Industrial Production • JOLTS Job Openings
Wednesday	• MBA Mortgage Applications
Thursday	• Weekly Jobless Claims • Philly Fed Manufacturing Index • Existing Home Sales • Leading Economic Indicators (LEIs) • Current Account Balance
Friday	• GDP revision • Personal Income and Outlays • PCE Core Inflation • U. of Michigan Consumer Sentiment • Kansas City Fed Manufacturing Index

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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	Real Estate 0.20	Emg Markets 0.35	Emg Markets 1.46	Emg Markets 1.74	Intl Equity 0.69	Emg Markets 3.13	High
	U.S. Bonds 0.05	Intl Bonds 0.33	Intl Bonds 0.65	Large Value 1.13	U.S. Bonds 0.40	Intl Equity 1.41	
	High Yield Bond 0.00	High Yield Bond 0.24	Intl Equity 0.53	Small Value 1.12	Large Growth 0.33	High Yield Bond 0.78	
	Intl Bonds -0.09	Small Value 0.15	Large Growth 0.36	Mid Value 0.92	60/40 Allocation 0.19	Large Growth 0.78	
	Small Value -0.10	Small Growth 0.09	60/40 Allocation 0.35	Intl Equity 0.67	Mid Growth 0.14	60/40 Allocation 0.72	
	Mid Value -0.16	Intl Equity 0.04	U.S. Bonds 0.27	Small Growth 0.61	High Yield Bond 0.10	Intl Bonds 0.60	
	60/40 Allocation -0.20	60/40 Allocation 0.02	Mid Growth 0.22	Large Growth 0.55	Real Estate 0.10	Large Value 0.59	
	Large Value -0.27	Mid Value -0.01	High Yield Bond 0.21	Mid Growth 0.52	Emg Markets -0.05	Small Value 0.54	
	Large Growth -0.36	U.S. Bonds -0.04	Mid Value 0.12	60/40 Allocation 0.36	Intl Bonds -0.30	Mid Value 0.44	
	Emg Markets -0.39	Large Value -0.07	Large Value 0.11	High Yield Bond 0.23	Large Value -0.31	U.S. Bonds 0.26	
	Small Growth -0.40	Large Growth -0.11	Small Value -0.01	Intl Bonds 0.01	Small Growth -0.34	Mid Growth 0.13	
	Intl Equity -0.52	Mid Growth -0.15	Small Growth -0.06	U.S. Bonds -0.43	Mid Value -0.42	Small Growth -0.10	
Low	Mid Growth -0.59	Real Estate -0.60	Real Estate -0.97	Real Estate -1.31	Small Value -0.62	Real Estate -2.56	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.