

# WEEK IN REVIEW



December 27, 2019

## The Bottom Line

- Stocks continued to mark new record highs during the Christmas-shortened week. Though it was a light week of economic data, positive retail sales and strong e-commerce activity carried major stock indices to a series of all-time highs.
- Treasury yields fell with the yield on 10-year Treasuries ending Friday at 1.87% down from 1.92% last Friday. Yields overseas also declined.
- The ICE U.S. Dollar Index fell to its lowest level since July following more friendly U.S.-China trade talk and new tariff concessions from China.

## Markets extend record high tally

December, and the year, marched closer to the finish line with a series of yet more record highs. The S&P 500 and the Dow finished the week at all-time highs, and the Nasdaq just missed its 12<sup>th</sup> straight winning streak but still closed over the 9,000 level milestone it hit on Thursday. It was a relatively light week for economic data with the Christmas-shortened week, but there were plenty of positive signs to keep investors enthusiastic. The trend in new home sales continues to indicate a healthy housing market, robust retail sales exceeded expectations, and e-commerce sales hit new record amounts. There was also encouraging news from China. Monday brought reports that China will lower tariffs on pork, pharmaceuticals and some technology products starting January 1<sup>st</sup>. A solid rebound for industrial profits in China also lifted sentiment. Bloomberg data showed it was the first improvement since April. The data reinforce the prospects that improving trade relations and global demand may be signaling the Chinese economy is at or near a cyclical bottom. The combination of a solid U.S. economy and improving Chinese economy is leading some economists to upgrade global growth forecasts as we enter 2020.

## Digits & Did You Knows

**FEDERAL RESERVE ANNIVERSARY:** During this week in 1913, the Federal Reserve Act, authorizing the creation of the Federal Reserve System to monitor the nation's banks and modulate the money supply, was signed into law by President Woodrow Wilson. (source: WSJ)

**NEW NASDAQ MILESTONE:** The Nasdaq stock index closed above 9,000 on Thursday for the first time ever. That mark took longer to reach than other recent milestones. It crossed over the 8,000 mark on Aug. 27, 2018—or 335 trading days ago. The index took 164 days to go from 7000 to 8000, from January - August 2018, and 174 days to go from 6000 to 7000, between April 2017 to January 2018. (source: WSJ)

Market Snapshot	Index Level	1-week Price Return	YTD Price Return
<b>EQUITIES</b>			
S&P 500	3,240.02	+0.58%	+29.25%
Nasdaq Composite	9,006.62	+0.91%	+35.74%
Russell 2000	1,669.03	-0.17%	+23.76%
Nikkei-225 (Japan)	23,837.72	+0.09%	+19.10%
STOXX Europe 600	419.74	+0.32%	+24.31%
<b>RATES</b>			
2-Year UST Note	1.58	-5 bps	-91 bps
10-Year UST Note	1.87	-4 bps	-81 bps



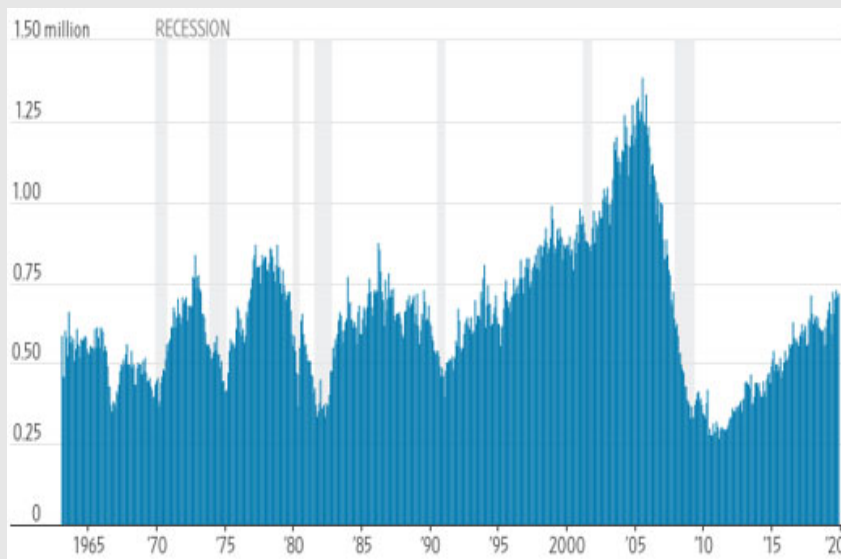
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## Chart of the Week

The Commerce Department reported that sales of newly built, single-family homes rose 1.3% in November, to a 719,000 unit annual rate. That was slightly below consensus expectations and came with downward revisions for the previous three months of 29,000 units. Still, the three-month average rate rose to its highest level since September 2007 and indicates that the housing market continues to enjoy a pickup amid low interest rates and steady economic growth. Sales are up about 10% through 11 months in 2019 from 2018. The sales were broad with three of the four regions posting gains. The supply of available homes has declined from a year ago, pushing prices up. Home inventory was unchanged for the month, but declined -3.3% from last year. The median sale price of a new home in November was up +7.2% to \$330,800 from the same month a year ago.

### Home Sales Trend Up

U.S. new single family home sales



Source: Commerce Department, WSJ. Note: Seasonally adjusted annual rate.

## Economic rundown

- Overall orders for **durable goods** fell 2% from the prior month, the biggest drop in six months. Much of the decline was due to a sharp pullback in orders for military equipment. Last week, Congress passed a defense-spending bill that could stoke defense demand..
- On the other hand, the **Chicago Fed National Activity Index (CFNAI)** rose 1.32 points in November to 0.56, its highest level since February 2018. It was the largest increase in the CFNAI since February 2014, driven by gains from production-related indicators, as the GM strike ended.
- The Richmond Fed Manufacturing Activity Index, like several other regional fed indices last week, was down in December. Richmond manufacturing fell four points in December to -5, and has been negative in four of the past six months.
- **The Philly Fed State Coincident Indexes** increased in 39 states in November, decreased in nine, and were unchanged in two.
- Initial jobless claims fell 13,000 last week to 222,000.

## The Week Ahead

- |           |  |
|-----------|--|
| Monday    | <ul style="list-style-type: none"> <li>• International Trade</li> <li>• Pending Home Sales</li> <li>• Dallas Fed Mfg Survey</li> <li>• Chicago PMI</li> </ul>                    |
| Tuesday   | <ul style="list-style-type: none"> <li>• S&amp;P Corelogic Case-Shiller HPI</li> <li>• FHFA House Price Index</li> <li>• Conf Bd Consumer Confidence</li> </ul>                  |
| Wednesday |  |
| Thursday  | <ul style="list-style-type: none"> <li>• Weekly Jobless Claims</li> <li>• MBA Mortgage Applications</li> <li>• Markit PMI Manufacturing Index</li> <li>• FOMC Minutes</li> </ul> |
| Friday    | <ul style="list-style-type: none"> <li>• Motor Vehicle Sales</li> <li>• ISM Manufacturing Index</li> <li>• Construction Spending</li> </ul>                                      |

**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 0.41	Real Estate 0.27		Large Growth 0.72	Intl Bonds 1.10	Emg Markets 1.03	High
	Large Growth 0.22	Small Growth 0.26		Emg Markets 0.72	Emg Markets 0.40	Large Growth 0.92	
	Intl Equity 0.16	Mid Growth 0.16		Real Estate 0.53	Real Estate 0.27	Intl Bonds 0.90	
	Emg Markets 0.13	U.S. Bonds 0.12		Intl Equity 0.43	Intl Equity 0.17	Intl Equity 0.66	
	High Yield Bond 0.05	Small Value 0.12		60/40 Allocation 0.30	U.S. Bonds 0.13	Real Estate 0.51	
	Small Value 0.03	High Yield Bond 0.08		Large Value 0.25	60/40 Allocation 0.12	60/40 Allocation 0.46	
	60/40 Allocation 0.01	Mid Value 0.06		Mid Value 0.23	Large Growth -0.01	U.S. Bonds 0.28	
	Large Value -0.04	Large Value 0.04		Intl Bonds 0.21	Large Value -0.01	Large Value 0.24	
	U.S. Bonds -0.07	60/40 Allocation 0.03		Mid Growth 0.16	High Yield Bond -0.05	High Yield Bond 0.23	
	Mid Growth -0.07	Large Growth -0.01		High Yield Bond 0.15	Mid Growth -0.07	Mid Growth 0.18	
	Mid Value -0.11	Intl Equity -0.10		Small Value 0.10	Mid Value -0.11	Mid Value 0.08	
	Intl Bonds -0.23	Intl Bonds -0.17		U.S. Bonds 0.09	Small Value -0.46	Small Growth 0.04	
Low	Real Estate -0.57	Emg Markets -0.22		Small Growth 0.00	Small Growth -0.63	Small Value -0.20	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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