WEEK IN REVIEW

January 17, 2020

The Bottom Line

- The momentum in the stock market is palpable. New all-time highs are coming in bunches and milestones are being marked in numerous indices.
- A very busy week in economic reports shows the longest economic expansion in history continuing forward with modest inflation, a healthy housing market, robust consumer spending, solid retail sales, and a very tight labor market.
- Overseas, China's economy expanded in line with expectations at +6%. Data released Friday showed that retail sales, fixed asset investment and industrial production all beat economists' forecasts.

Markets have a lot of momentum

We're only 12 trading days into 2020, and the S&P 500 has already hit six all-time highs and just completed its best week since August. As highlighted in the Chart of the Week, the Dow Jones Industrial Average also closed at a record high after powering through the 29,000 point milestone earlier in the week. It's now just 2.3% shy of 30,000. Many of the bricks in the wall of worry have fallen recently. The U.S.-China phase one trade deal was signed on Wednesday and on Thursday the Senate approved the U.S.-Mexico-Canada trade agreement. That deal was already approved by the Mexican Parliament, should be signed soon by President Trump, and then just needs ratification by Canada. The U.S.-Iran conflict headlines that dominated the first few days of 2020 have all but disappeared. Markets also now appear to be disregarding any impeachment threats. Earnings season for Q4-2018 kicked off this week and the major banks that reported were strong. Retail Sales rose a third straight month in December at the best annual rate, +4.1%, since Nov. 2018. Solid gains in nearly every category offset a fall in vehicle sales. All said, these market friendly developments continue to provide momentum and fuel all-time highs.

Digits & Did You Knows

ROLLING, ROLLING, ROLLING: Since 1926, 84% of the rolling 3-year periods for the S&P 500 index (i.e., the 92 separate 3-years beginning 1926-28, then 1927-29, … 2017-19) have produced a positive return. (source: BTN Research).

PRESIDENTIAL RETURNS: This year (2020) is the 4th year of Donald Trump's 1st 4-year presidential term. The S&P 500 has been positive on a total return basis in 19 of the last 23 "presidential 4th-years," i.e., 4th-years dating back to 1928, including 17 of the last 19. The average performance for the S&P 500 during the last 23 "presidential 4th-years" has been a gain of +9.9% (total return) (source: BTN Research).

Market Snapshot	Index Level	1-week Price Return	2020 Price Return
EQUITIES			
S&P 500	3,329.62	**+1.97%**	**+3.06%**
Nasdaq Composite	9,388.94	**+2.29%**	**+4.64%**
Russell 2000	1,699.64	**+2.53%**	**+1.87%**
Nikkei-225 (Japan)	24,041.26	**+1.27%**	**+1.63%**
STOXX Europe 600	424.56	**+1.29%**	**+2.10%**
RATES			
2-Year UST Note	1.56	-1 bps	-1 bps
10-Year UST Note	1.82	0 bps	-9 bps

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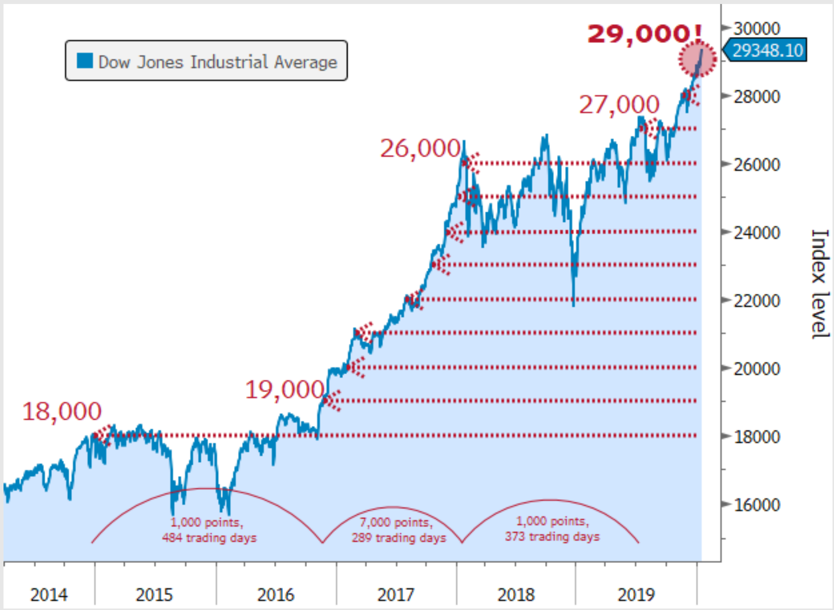
Chart of the Week

The Dow Jones Industrial Average closed above 29,000 for the first time ever Wednesday after President Trump signed an initial trade pact with China. These milestones can come in bunches. The Dow has broken through multiple 1,000-point milestones in the last six months. It hit 27,000 in July 2019 and 28,000 in November. But it took 373 trading days to go from 26,000 to 27,000. Yet before that it made seven 1,000 point milestones in little over a year, moving from 19,000 to 26,000. That came after the slowest 1,000 point milestone in the last ten years, which took 484 trading days from 12/23/2013 to 11/22/2016. Keep in mind that 1,000 points isn't what it used to be. The latest round number required just a 3.6% gain. Compare that with the 50% gain required to hit Dow 3,000, which came in April 1991. We'll need just 3.4% to hit Dow 30K. At this rate, it may not be too long. (Source: Barron's, PCIA Research)

Dow 30,000 Here We Come

The Dow Jones Industrial Average marks another milestone



Source: Bloomberg

Economic rundown

- Consumer and producer inflation remains mild. The **Consumer Price Index (CPI)** rose at a 2.3% annual rate in December, the fastest pace since October 2018, while core CPI eased to 2.3%. The **Producer Price Index (PPI)** was up 1.3% from last year, but PPI ex-food and energy fell to 1.2%, the slowest pace since September 2016.
- **Mortgage Applications** surged last week as mortgage rates declined, spurring stronger housing demand. Builder confidence eases slightly. **The NAHB/Wells Fargo Housing Market Index** slipped a point in January, its first decline in seven months, but still beat expectations and is at an elevated level.
- December **NFIB Small Business Optimism** was below market expectations, but remains in an elevated range it has occupied since late 2017. Firms still cite labor quality as their most important problem, followed by taxes and government regulation.
- The **University of Michigan Consumer Sentiment Index** slipped -0.2 points in January to 99.1, slightly below expectations, but still near its highest level since early 2004.
- The **Empire State Manufacturing Index** shows that growth in New York region picked up slightly to begin the year, with January being the best result since May. The **Philly Fed General Business Activity Index** bounced 14.6 points in January to 17.0, its highest level since May.
- **Industrial Production** fell in December and is down in three of the past four months.

The Week Ahead

Monday	• N/A
Tuesday	• N/A
Wednesday	• MBA Mortgage Applications • Chicago Fed Nat Activity Index (CFNAI) • FHFA House Price Index MoM • Existing Home Sales
Thursday	• Weekly Jobless Claims • Bloomberg Consumer Comfort • Conf Bd Leading Econ Indicators (LEI)
Friday	• Markit Purchase Managers Index (PMI)

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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	Emg Markets 1.56	Small Growth 0.53	Real Estate 0.89	Small Growth 1.43	Emg Markets 0.57	Small Growth 3.02	High
	Real Estate 1.07	Mid Value 0.28	Small Growth 0.70	Small Value 1.24	Large Growth 0.39	Real Estate 2.43	
	Large Growth 0.91	Large Value 0.16	Intl Bonds 0.65	Mid Value 1.04	Intl Equity 0.30	Mid Value 2.42	
	Mid Growth 0.78	Small Value 0.16	Large Growth 0.40	Mid Growth 1.00	Mid Value 0.20	Large Growth 2.29	
	Mid Value 0.74	Intl Equity 0.10	Mid Growth 0.30	Large Growth 0.93	Large Value 0.19	Mid Growth 2.06	
	Small Value 0.74	U.S. Bonds 0.09	Small Value 0.19	Real Estate 0.74	Real Estate 0.11	Small Value 2.01	
	Small Growth 0.70	60/40 Allocation 0.00	U.S. Bonds 0.15	Large Value 0.73	60/40 Allocation 0.10	Large Value 1.67	
	Large Value 0.57	Intl Bonds 0.00	Mid Value 0.14	Emg Markets 0.63	Mid Growth 0.01	Emg Markets 1.40	
	Intl Equity 0.52	High Yield Bond -0.01	60/40 Allocation 0.13	60/40 Allocation 0.43	Intl Bonds 0.00	Intl Equity 1.34	
	60/40 Allocation 0.44	Mid Growth -0.05	High Yield Bond 0.02	Intl Equity 0.42	High Yield Bond -0.08	60/40 Allocation 1.11	
	High Yield Bond 0.00	Large Growth -0.35	Large Value 0.02	High Yield Bond 0.03	U.S. Bonds -0.11	U.S. Bonds 0.06	
	U.S. Bonds -0.06	Real Estate -0.38	Intl Equity 0.00	U.S. Bonds 0.00	Small Value -0.33	Intl Bonds 0.06	
Low	Intl Bonds -0.24	Emg Markets -0.56	Emg Markets -0.78	Intl Bonds -0.35	Small Growth -0.37	High Yield Bond -0.03	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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