WEEK IN REVIEW

January 31, 2020

The Bottom Line

- Global stocks sank for the week as overseas economic growth and fresh concerns about the viral outbreak in China provoked worries about global growth.
- It was a heavy week of earnings releases. With 227 of the of the constituents of the S&P 500 Index having reported for Q4 2019, 70% have beat their earnings estimates and 65% have topped their sales estimates.
- The U.K. has formally left the European Union and enters a transition phase until the end of 2020 during which it will remain in the single market and customs union but no longer be represented in EU decision-making bodies.

Earnings can't offset coronavirus concerns

Solid earnings couldn't provide enough fuel for a cure to the dramatic broad-market selloff in global equities. Stocks were hit hard, at the start of the week and the end of the week, by worsening concerns about the coronavirus. On Thursday, the World Health Organization (WHO) declared the coronavirus outbreak that originated in Wuhan, China a global public health emergency. The Cboe Volatility Index (VIX) hit its highest levels since last October. Monday was the first day since early Oct that the S&P 500 moved up or down more the 1%, ending the longest streak since 2018. Investors showed few ill-effects from Monday as markets regained much of the loses on Tuesday, but Thursday's WHO declaration and still rising infection rates weighed heavily on risk assets as the week concluded. In other news, the Fed kept its monetary policy unchanged and its statement remained dovish. U.S. GDP showed the economy growing at a +2.1% annualized rate in the fourth quarter, equaling the pace of the third quarter. For the full year the US economy grew at a 2.3% rate. There was a bevy of earnings results for the busiest week for earnings season. Overall earnings and sales growth is holding up and beat rates have been solid.

Digits & Did You Knows

REALLY LOW: Inflation, as measured by the "Consumer Price Index" (CPI), was up +2.3% for 2019. For the decade of the 2010s, inflation was up just +1.8% per year, the lowest decade of inflation in the USA since the 1930s. By comparison, the decade of the 1970s suffered +7.4% annual inflation (source: Department of Labor, BTN Research).

CONCENTRATED: There are 3,142 counties in the United States. Just 31 counties, or 1% of 3,142, produce 32% of the nation's GDP. Gross Domestic Product (GDP) is the annual market value of all goods and services produced domestically by the US (source: Bureau of Economic Analysis, BTN Research).

Market Snapshot	Index Level	1-week Price Return	2020 Price Return
EQUITIES			
S&P 500	3,225.52	**-2.12%**	**-0.16%**
Nasdaq Composite	9,150.94	**-1.76%**	**+1.99%**
Russell 2000	1,614.06	**-2.90%**	**-3.26%**
Nikkei-225 (Japan)	23,205.18	**-2.61%**	**-1.91%**
STOXX Europe 600	410.71	**-3.05%**	**-1.23%**
RATES			
2-Year UST Note	1.31	-18 bps	-26 bps
10-Year UST Note	1.51	-18 bps	-41 bps

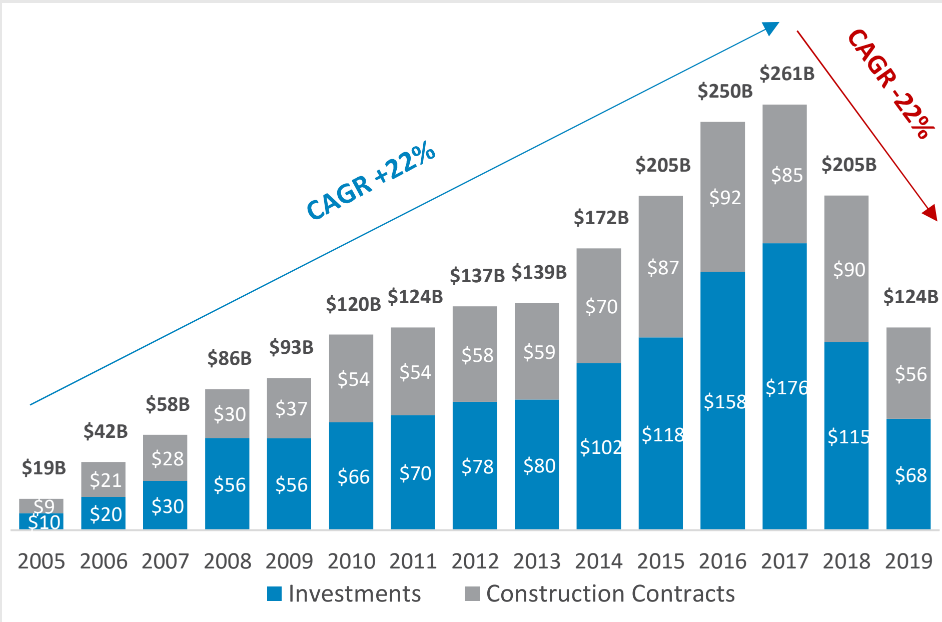
QUALIFIED PLAN ADVISORS

Chart of the Week

After peaking in 2017, China's investment and construction spending around the world plunged the last two years. From 2005 to 2017, China's global investments grew from $10B to $176B and its global construction spending grew from $9B to $85B. Overall investment grew at a +22% annual rate. But between 2017 and 2019, China's global spending fell from $261B to $124B, a -22% annual decline. The data comes from the American Enterprise Institute (AEI) who cites less transactions by China's state-controlled entities for weaker spending. A big part of that is that fear over weakness in balance of payments and exchange rate has caused rationing of their currency used for the spending. A key question now is whether the coronavirus will materially exacerbate these trends.

China's Global Business Growth Reverses

After peaking in 2017, China's global spending has shrunk significantly



Source: Source: AEI's China Global Investment Tracker, Mekko Graphics

Economic rundown

- Unlike the **Existing Home Sales** bump reported last week, **New Home Sales** unexpectedly saw modest declines in December. **Pending Home Sales** also disappointed with a -4.9% drop, its second decline in the last three months. But the year-over-year trend was up. Also mortgage applications gained +5.3% and have been up in four of the last five weeks, hitting its best level since Jan. 2009.
- The **S&P CoreLogic Case-Shiller National Home Price Index** made its largest monthly increase, +0.5%, since February 2018. Prices rose in all 20 major metro areas.
- **Texas manufacturing activity** stabilized in January, rising +3 points. The **Richmond Fed Manufacturing Index** rebounded +25 points in January to the highest level since September 2018.
- **Durable Goods Orders** were up the most since August 2018, led by defense spending orders. Without defense orders durable goods would have been down -2.5%.
- **Personal Income** & **Consumption Expenditures** both had modest increases, supportive of economic expansion.
- The **Employment Cost Index (ECI)** rose 0.7% in Q4.
- The Conference Board's **Consumer Confidence Index** increased in January, beating expectations. The index remains close to its highest level in nearly two decades and indicates support for consumer spending in 2020.

The Week Ahead

Monday	• Markit Manufacturing PMI • ISM Manufacturing PMI • Construction Spending • Vehicle Sales
Tuesday	• Factory Orders
Wednesday	• MBA Mortgage Applications • ADP Employment Change • Trade Balance • Markit Services & Composite PMI • ISM Non-Manufacturing Index
Thursday	• Jobless Claims • Challenger Job Cuts • Nonfarm Productivity
Friday	• Non-Farm Payrolls & Employment Report • Wholesale Inventories

January 31, 2020

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	U.S. Bonds 0.31	Large Growth 1.25	Emg Markets 0.48	Large Value 0.46	Intl Bonds 0.33	U.S. Bonds 0.76	High
	Intl Bonds -0.06	Mid Growth 1.18	U.S. Bonds 0.23	Intl Bonds 0.33	U.S. Bonds 0.30	Intl Bonds 0.50	
	Real Estate -0.48	Small Growth 1.05	Large Growth 0.22	Mid Value 0.27	High Yield Bond -0.41	High Yield Bond -0.18	
	High Yield Bond -0.67	Intl Equity 0.94	Intl Bonds 0.03	Small Value 0.20	60/40 Allocation -0.98	Real Estate -1.45	
	Small Growth -0.93	High Yield Bond 0.86	60/40 Allocation 0.02	Mid Growth 0.20	Real Estate -1.21	60/40 Allocation -1.46	
	60/40 Allocation -1.05	Emg Markets 0.84	Intl Equity 0.01	Large Growth 0.19	Mid Value -1.63	Large Growth -1.83	
	Small Value -1.27	Mid Value 0.83	High Yield Bond -0.06	Real Estate 0.13	Intl Equity -1.69	Large Value -2.34	
	Large Value -1.40	Large Value 0.80	Real Estate -0.31	High Yield Bond 0.10	Large Growth -1.75	Mid Value -2.37	
	Mid Value -1.48	60/40 Allocation 0.55	Mid Growth -0.34	U.S. Bonds 0.01	Large Value -1.77	Mid Growth -2.51	
	Mid Growth -1.53	Small Value 0.47	Mid Value -0.36	60/40 Allocation -0.01	Mid Growth -2.01	Small Growth -2.52	
	Large Growth -1.72	Real Estate 0.43	Small Growth -0.41	Intl Equity -0.09	Small Growth -2.02	Intl Equity -2.89	
	Intl Equity -2.07	U.S. Bonds -0.09	Large Value -0.43	Small Growth -0.20	Emg Markets -2.02	Small Value -3.30	
Low	Emg Markets -3.45	Intl Bonds -0.12	Small Value -0.68	Emg Markets -1.49	Small Value -2.05	Emg Markets -5.58	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