WEEK IN REVIEW

February 21, 2020

The Bottom Line

- U.S. government bond yields are reaching record lows as stocks retreat from record highs. Major equity averages snapped a 2-week win streak, as the S&P 500 fell -1% for the week and the Nasdaq dropped -1.4%.
- As fears reemerged that coronavirus will hamper global growth, investors sought traditionally safer assets like gold and government bonds. Bond yields fell to near record levels signaling fears of an economic slowdown.
- More than 76,000 people have been diagnosed with coronavirus, and over 2,200 have died globally. South Korea reported its first fatality, while two patients in Iran also died and confirmed cases began to climb in Beijing.

Investors seek safety from coronavirus

Stocks sold off worldwide as coronavirus fears reemerged, sending bond yields to record low levels as investors sought safety. The 30-year U.S. Treasury yield hit a record low of 1.91%. Other safe havens like gold also surged and the U.S. dollar was up four days in a row until giving some back on Friday. The coronavirus infection growth rate slowed in China, but the data is suspect as the methodology of counting cases has changed three times in the last month. Coronavirus infections worldwide have now topped 76,000 and 2,200 fatalities according to Bloomberg. China accounts for the vast majorities of cases and deaths, but this week attention shifted to the number of infections outside China. Cases are increasing in South Korea, Japan, and Singapore. Beyond Asia, new cases have been spotted in Iran, the United Arab Emirates, Lebanon and Italy. It is becoming clear that the coronavirus outbreak has put 2020 corporate profits at risk. On Monday Apple warned that it won't meet its revenue projections for the current quarter because of the coronavirus. Procter & Gamble warned Thursday that the virus will have a material impact on its sales and earnings. To date, expectations for earnings growth in Q1-2020 has been cut in half to just 3.2% from more than 6% at the start of 2020, according to Refinitiv.

Digits & Did You Knows

NEW HOMES: The construction of 888,100 new single-family homes began in 2019, the 8th consecutive year of increasing home building. In the decade of the 2010s, 6.8 million new homes began construction, down 44% from the 12.3 million new homes that were started in the decade of the 2000s (source: Census Bureau, BTN Research).

E.U. AND U.S.A: The 27-nations that comprise the European Union (post-Brexit) have a population of 446 million and a combined economy of $18 trillion. The United States has a population of 329 million and an economy of $22 trillion (source: Census Bureau, BTN Research).

Market Snapshot	Index Level	1-week Price Return	2020 Price Return
EQUITIES			
S&P 500	3,337.75	**-1.25%**	**+3.31%**
Nasdaq Composite	9,576.59	**-1.59%**	**+6.73%**
Russell 2000	1,678.61	**-0.53%**	**+0.61%**
Nikkei-225 (Japan)	23,386.74	**-1.27%**	**-1.14%**
STOXX Europe 600	428.07	**-0.57%**	**+2.94%**
RATES			
2-Year UST Note	1.35	-8 bps	-22 bps
10-Year UST Note	1.47	-12 bps	-45 bps

QUALIFIED PLAN ADVISORS

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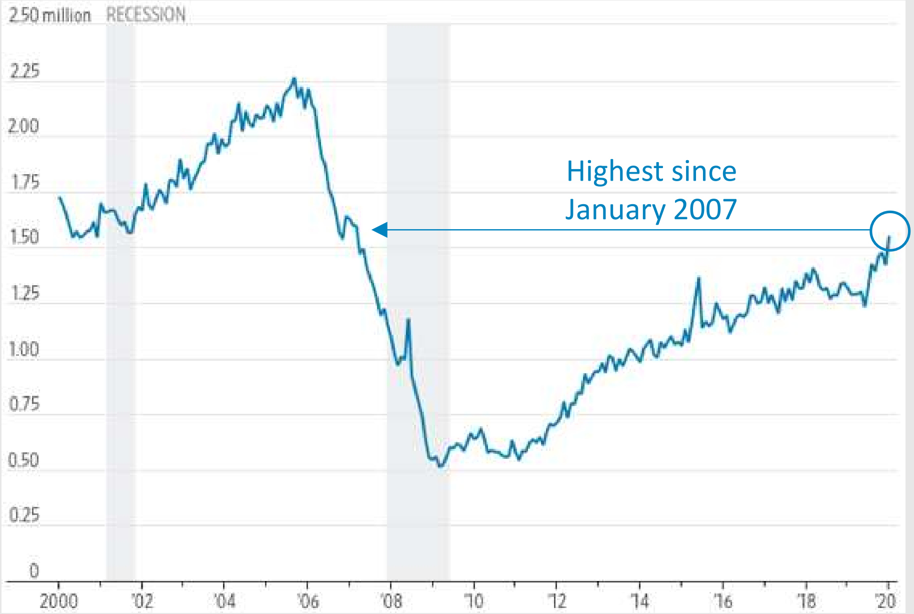
Chart of the Week

Housing activity continues to surprise to the upside. January **Housing Starts** and **Building Permits** exceeded expectations. Housing starts beat expectations but were off slightly, falling for the first time in four months. But Housing permits, a signal of starts to come, surged 9.2%, the most since June 2017 and resulted in the highest level since January 2007. The **NAHB/Wells Fargo Housing Market Index (HMI)** fell one point in February but rests near the highest levels since 1999 as builder confidence remains high. January **Existing Home Sales** slipped 1.3%, but year-over-year momentum is still solid. Even nonresidential construction spending is encouraging as the **Architecture Billings Index (ABI)** rose to 52.2 in January, its highest level in a year, suggesting a pickup in the second half of 2020.

Housing Heats Up

U.S. Building Permits



Source: Commerce Department, The Wall Street Journal. Note: Seasonally adjusted

Economic rundown

- The **Empire State General Business Conditions Index** jumped 8.1 points in February to 12.9, the highest level in 9 months, as NY manufacturing activity accelerated. **The Philly Fed General Business Activity Index** surged nearly 20 points in February, when expectations were for a *loss* of -9 points. New orders increased at the fastest pace since May 2018. The NY (Empire) and Philly Fed reports point to a rebound in the ISM manufacturing index.
- The **Conference Board's Leading Economic Index (LEI)** rebounded 0.8% in January, the most since Oct. 2017, and 8 of 10 components had positive contributions.
- **Markit flash Purchasing Manufacturing Indices (PMIs)** fell on fears of coronavirus implications. The **Services PMI** plunged 4 points, the largest drop since October 2013, landing it at 49.4, which is the first time in contraction (below 50) since October 2009. The **Manufacturing PMI** fell for the third straight time, but only 1.1 points, leaving it at 50.8 which is a six month low (but still in expansion).
- **The Producer Price Index (PPI)** easily beat forecasts rising +0.5% in January, the most since October 2018. Core PPI, which excludes food and energy, was also up 0.5%.

The Week Ahead

Monday	• Chicago Fed Nat Activity Index (CFNAI) • Dallas Fed Manufacturing Activity
Tuesday	• FHFA House Price Index (HPI) • S&P CoreLogic CS US HPI • Conf. Board Consumer Confidence • Richmond Fed Manufact. Index
Wednesday	• MBA Mortgage Applications • New Home Sales
Thursday	• Jobless Claims • Gross Domestic Product (GDP) • Personal Consumption & Expenditures • Durable Goods Orders • Pending Home Sales • Kansas City Fed Manufacturing Activity
Friday	• Wholesale Inventories • Personal Income & Spending • MNI Chicago Business Barometer PMI • U. of Mich. Sentiment

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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		U.S. Bonds 0.13	Emg Markets 0.73	Real Estate 1.08	Intl Bonds 0.69	U.S. Bonds 0.53	High
		Mid Growth 0.04	Large Growth 0.69	Small Value 0.64	U.S. Bonds 0.20	Intl Bonds 0.21	
		Large Growth -0.02	Small Growth 0.67	Mid Value 0.39	Real Estate 0.19	Real Estate -0.07	
		Small Growth -0.04	Mid Growth 0.56	U.S. Bonds 0.23	High Yield Bond -0.09	High Yield Bond -0.08	
		Real Estate -0.07	Small Value 0.41	High Yield Bond 0.17	60/40 Allocation -0.36	Small Value -0.35	
		High Yield Bond -0.20	Intl Equity 0.33	Intl Bonds 0.06	Intl Equity -0.47	60/40 Allocation -0.52	
		60/40 Allocation -0.23	Large Value 0.29	Large Value 0.02	Large Value -0.48	Mid Value -0.53	
		Mid Value -0.25	60/40 Allocation 0.20	Small Growth -0.05	Emg Markets -0.57	Large Value -0.66	
		Intl Bonds -0.35	Mid Value 0.07	60/40 Allocation -0.13	Mid Value -0.74	Small Growth -0.73	
		Small Value -0.45	High Yield Bond 0.05	Mid Growth -0.26	Small Value -0.94	Mid Growth -1.24	
		Large Value -0.49	U.S. Bonds -0.03	Intl Equity -0.59	Small Growth -1.31	Intl Equity -1.36	
		Intl Equity -0.64	Intl Bonds -0.20	Large Growth -0.62	Large Growth -1.57	Large Growth -1.52	
Low		Emg Markets -0.66	Real Estate -1.26	Emg Markets -1.56	Mid Growth -1.57	Emg Markets -2.06	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.