

WEEK IN REVIEW



May 22, 2020

The Bottom Line

- Global stocks rallied, with most major equity indices gaining +3% or more for the week. Small cap stocks led the way, gaining nearly +9%. Real estate also rebounded strongly, advancing almost +7%.
- A U.S. milestone in the coronavirus saga was hit as all 50 states have now begun reopening. Most states are reopenings in phases. Driver mobility data is almost back to January levels but other sectors, like restaurants and airlines, are much slower in their recoveries.
- U.S. Federal Reserve Chair Jerome Powell said that "by no means" is the Fed out of ammunition and that there is no limit to the central bank's lending programs.

Stocks rebound as the U.S. reopens

Stocks ended the week with solid gains of +3% or more. Small companies recovered much of last week's losses, gaining back +8.9%. That is a welcome development as many market watchers have been concerned that most of the gains from the March 23 lows were contributed by only a handful or two of primarily large cap technology companies. Historically, for rallies to be sustainable they need to be broad-based and inclusive. This week's advance helped on that basis. Moreover, the relaxation of stay-at-home restrictions across the U.S. provided optimism, and evidence, that the economy is beginning to recover. Mobility data from Apple shows that U.S. drivers have nearly recovered to levels from the start of 2020. However, we're not out of the woods yet. Some metrics such as restaurant bookings, albeit improving, are still only 20-25% of their pre-COVID lockdown levels. Corporate earnings have also been slow to recover. According to Refinitiv data, analysts continue to mark down their estimates, and are now looking for S&P 500 earnings to fall by -42% in the current quarter from a year ago. Still, the global economy is finally showing signs of life and it appears the worst of the economic contraction is behind us.

Digits & Did You Knows

WOULD YOU PAY? If airlines stopped using "middle seats" in order to attempt "social distancing," they would need to raise ticket prices by +43% to recover lost revenue (source: International Air Transport Association, BTN Research).

NEVER GOING BACK - Before President Trump declared a national emergency to combat COVID-19 on May 13, just 3.6% of U.S. wage and salaried employees worked from home 5 days a week (source: Department of Labor, BTN).

SOCIAL DISTANCING ALREADY - 35 million Americans live alone, i.e., 28% of U.S. households has a single person living in them (source: Census Bureau, BTN Research).

Market Snapshot	Index Level	1-week Price Return	2020 Price Return
EQUITIES			
S&P 500	2,948.51	+3.37%	-8.74%
Nasdaq Composite	9,284.88	+3.81%	+3.48%
Russell 2000	1,347.56	+8.89%	-19.23%
Nikkei-225 (Japan)	20,552.31	+3.20%	-13.12%
STOXX Europe 600	340.26	+4.15%	-18.18%
RATES			
2-Year UST Note	0.17	2 bps	-140 bps
10-Year UST Note	0.67	5 bps	-125 bps



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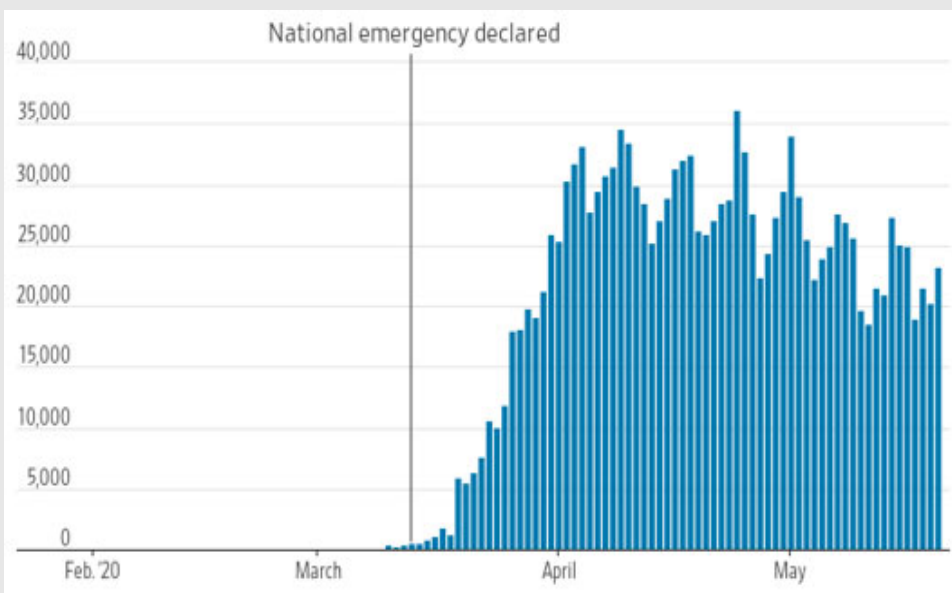


Chart of the Week

The U.S. hit a milestone in the coronavirus pandemic as all 50 states have now begun reopening. In most states, the reopenings are happening in phases. In the absence of mandatory federal guidelines, local officials that are looking to reopen have weighed the potential costs to the economy and public health, relying on sources including virus data, task forces, public-health leaders and their own constituencies. Changing and inconsistent information has hindered efforts to create a clear picture of how the U.S. is doing as a whole in its fight against the pandemic. On Wednesday, the Centers for Disease Control & Prevention released its detailed guidelines for reopening. Total cases in the U.S. passed 1.6 million. Globally the tally of coronavirus infections passed 5 million on Thursday.

Daily reported Covid-19 cases in the U.S.

Declines in new cases encourage governors to ease restrictions



Note: For all 50 states and D.C. US. Territories and cruises
Source: WSJ, Johns Hopkins Center for Systems Science and Engineering

Economic Rundown

- The May **NAHB/Wells Fargo Housing Market Index (HMI)** rebounded after April's historic drop. The HMI rose 7 points, to 37, but that's still the second lowest level since 2012 suggesting there is still some builder pessimism.
- April **Housing Starts** and **Building Permits** fell to their lowest levels since early 2015. Housing starts plunged a record -30.2%. Building permits dropped -20.8%, the most since July 2008. On an annual basis, starts fell -29.7%, while permits were off -19.2%. Both were the steepest year-over-year declines since October 2009.
- In April, **Existing Home Sales** plunged -17.8%, the most since July 2010, to the lowest level since July 2010.
- The **MBA Purchase Index** rose +6.4%, its fifth weekly gain in row, suggesting that home purchases are recovering after the large drop in March and April.
- The April **Conference Board Leading Economic Index (LEI)** fell -4.4%, following March's record drop. The **Coincident Index** plunged a record -8.9%, confirming a deep economic contraction last month. At the same time, the **Lagging Index** surged a record +4.1%.

- Like with N.Y. manufacturing reported last week, the **Philly Fed General Business Activity Index** rebounded in May, up +13.5 points to -43.1 (still deep contraction).

The Week Ahead

Tuesday	<ul style="list-style-type: none"> • Chicago Fed Nat Activity Index (CFNAI) • FHFA House Price Index • S&P CoreLogic CS Home Price Index (HPI) • New Home Sales • Conf. Board Consumer Confidence • Dallas Fed Manufacturing Activity Index
Wednesday	<ul style="list-style-type: none"> • MBA Mortgage Applications • Richmond Fed Manufacturing Index • Federal Reserve Beige Book
Thursday	<ul style="list-style-type: none"> • Jobless Claims • Gross Domestic Product (GDP) • Durable Goods Orders • Pending Home Sales • Kansas City Fed Manufacturing Activity
Friday	<ul style="list-style-type: none"> • Personal Income & Spending • Personal Consumption Expenditures (PCE) • U. of Mich. Sentiment

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 Value 7.82	High Yield Bond 0.12	Small Value 3.57	Intl Bonds 0.39	Real Estate 1.36	Small Value 9.09	High
	Mid Value 5.90	U.S. Bonds 0.11	Small Growth 2.70	Small Value 0.13	Small Growth 0.76	Real Estate 6.95	
	Real Estate 5.83	Intl Bonds 0.02	Intl Equity 2.08	Small Growth 0.08	Mid Growth 0.69	Small Growth 6.82	
	Small Growth 4.89	Mid Growth -0.53	Mid Value 1.89	U.S. Bonds 0.08	Large Growth 0.41	Mid Value 6.05	
	Large Value 4.54	Large Growth -0.59	Large Value 1.82	High Yield Bond -0.02	High Yield Bond 0.25	Mid Growth 4.37	
	Intl Equity 4.04	60/40 Allocation -0.72	Mid Growth 1.77	Real Estate -0.14	Small Value 0.10	Large Value 4.08	
	Emg Markets 3.91	Emg Markets -0.80	Large Growth 1.71	60/40 Allocation -0.39	Mid Value 0.08	Intl Equity 3.25	
	Mid Growth 2.95	Real Estate -1.12	60/40 Allocation 1.33	Mid Value -0.40	U.S. Bonds 0.05	High Yield Bond 3.20	
	60/40 Allocation 2.66	Intl Equity -1.38	Emg Markets 1.32	Mid Growth -0.54	Large Value -0.05	Large Growth 3.17	
	Large Growth 2.28	Mid Value -1.41	High Yield Bond 1.06	Large Value -0.55	60/40 Allocation -0.08	60/40 Allocation 2.78	
	High Yield Bond 1.77	Large Value -1.63	Real Estate 0.97	Large Growth -0.64	Intl Equity -0.28	Intl Bonds 1.86	
	Intl Bonds 1.10	Small Growth -1.66	Intl Bonds 0.93	Emg Markets -1.14	Intl Bonds -0.57	Emg Markets 1.11	
Low	U.S. Bonds -0.15	Small Value -2.53	U.S. Bonds 0.26	Intl Equity -1.16	Emg Markets -2.07	U.S. Bonds 0.35	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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