WEEK IN REVIEW

June 5, 2020

The Bottom Line

- Stocks surged, climbing for the third week in a row, amid signs that the economy is recovering faster than many had expected from the impact of the coronavirus pandemic. Meanwhile bond yields soared as investors abandoned the safety of government bonds.
- In the months of March and April a total of 22 million jobs were cut, but Friday's job report for May stunned economists with a unexpected addition of 2.5 million jobs, the largest monthly gain on record.
- The style reversal that began mid May continued. Small cap value led equity asset classes, up +11.5% for the week, and large growth trailed – but still gained +3.3%.

Stocks surge on surprisingly upbeat jobs report

Equity markets rallied hard, climbing for the third-straight week, fueled by an stunningly upbeat May nonfarm payroll report that showed job growth returned sooner than expected, signaling that the economy is recovering faster than many had expected from the COVID-19 pandemic. Markets had already shown high optimism about the economic recovery in recent weeks and Friday's action pushed the major indexes' weekly gains to the range of +3% to +8%. June's first week followed much of the style reversal that began in mid-March, in which small cap stocks and value-oriented stocks outperformed (after being laggards for most of the long-term cycle). Small cap value led the week with an +11.5% gain versus +3.3% for large cap growth – the smallest advance among major equity groups. Volatility, as measured by the Cboe Volatility Index (VIX), fell to 24 from 29.5. The attention given to the stock market overshadowed a major move in bond yields as U.S. Treasury yields soared. The yield on the benchmark U.S. 10-year Treasury jumped 24 basis points this week, to 0.92%, as investors left the safety of government bonds. The +37% weekly jump in the 10-year Treasury yield was the largest on record.

Digits & Did You Knows

WHEN IT STARTED - The first death in the United States from the COVID-19 virus occurred on Thursday 2/06/20 in Santa Clara County California or just under 4 months ago. As of Friday, June 5, 112,096 Americans had died from the COVID-19 virus (source: NBC News, Worldometer, BTN Research).

THEN AND NOW - The last U.S. recession ran for 18 months from December 2007 to June 2009. During those 18 months, first-time jobless claims averaged 484,231 per week. In the last 10 weeks during the COVID-19 pandemic, first-time jobless claims have averaged 4.1 million per week, or more than 8 times the level that occurred during the Global Financial Crisis (source: Department of Labor, BTN Research).

Market Snapshot	Index Level	1-week Price Return	2020 Price Return
EQUITIES			
S&P 500	3,193.93	**+4.91%**	**-1.14%**
Nasdaq Composite	9,814.08	**+3.42%**	**+9.38%**
Russell 2000	1,507.15	**+8.11%**	**-9.67%**
Nikkei-225 (Japan)	22,863.73	**+4.51%**	**-3.35%**
STOXX Europe 600	375.32	**+7.12%**	**-9.74%**
RATES			
2-Year UST Note	0.21	5 bps	-136 bps
10-Year UST Note	0.90	24 bps	-102 bps

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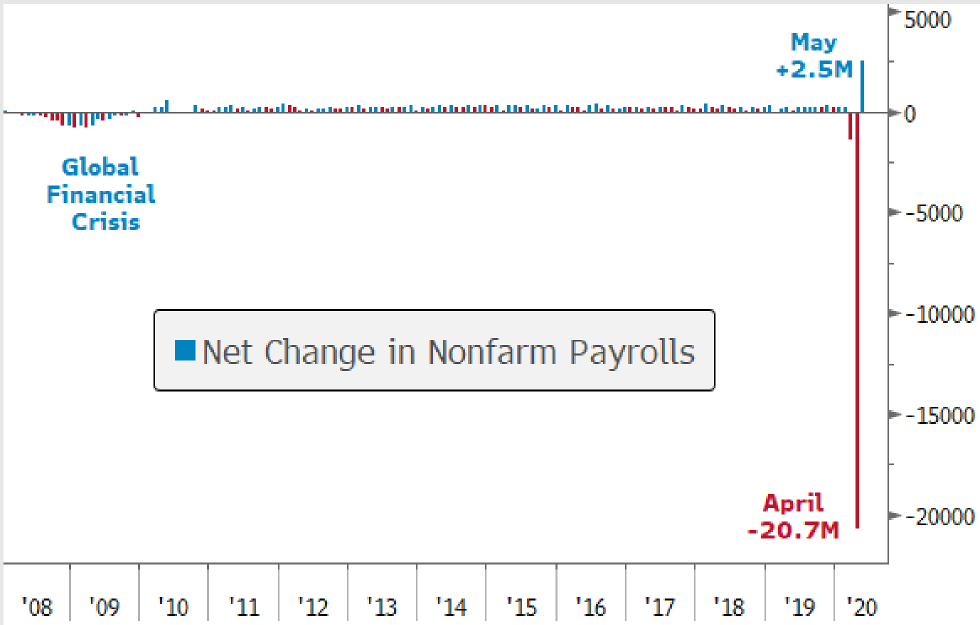
WEEK IN REVIEW

Chart of the Week

A record 2.5 million jobs were added to the economy in May. The unemployment rate fell to 13.3%, down from April's 14.7% rate which was a post World War II high. Both results smashed Wall Street expectations in which economists were calling for a loss of 8.3 million jobs and a 19.5% unemployment rate. According to Bloomberg, before this report the biggest single-month miss on the payrolls report was 318,000 in Feb. 2003. Economists' models may have failed to fully account for the Paycheck Protection Program that provides firms funding to keep workers on staff. Restaurants and bars added 1.4 million workers last month—more than half the overall job gain. Construction, health care and retailers were other industries that added back many workers.

U.S. Employment Gains Post Stunning Rebound in May



Sources: Bloomberg

Economic Rundown

- The **ISM Purchasing Manufactures Index (PMI)** for May rose to 43.1 from an 11-year low of 41.5 in April, the first gain in four months. The competing **Markit U.S. Manufacturing PMI** told a similar story, rising 3.7 points to 39.8. Though improved from April, both are still well in contraction territory.
- The **ISM Non-Manufacturing Index (NMI)** rebounded 3.6 points in May to 45.4, its first increase in three months. The **Markit Services PMI** rebounded 10.8 points to 37.5.
- **Construction Spending** fell a broad-based 2.9% in April, the most since October 2018. On a year-over-year basis it was up 3%, good but off the 7.8% pre-coronavirus.
- **Factory Orders** fell -13% in April, signaling depressed manufacturing at the start of Q2.
- **Initial jobless claims** for unemployment fell 249,000 last week to 1.877 million. It was the ninth straight week of declines, but is still in the millions showing the economy is still far from pre-pandemic levels.
- The **trade deficit** increased by $7.1 billion in April to $49.4 billion, an eight-month high.
- **Light vehicle sales** rebounded 40.0% in May to a 12.2 million annual rate. The prior two months were double digit declines during the coronavirus lockdowns.
- **ADP private payrolls** fell -2.76 million in May, the second worst on record after the +19.557 million drop in April. Economist expectations were for a -8.75 million fall.

The Week Ahead

Monday	• N/A
Tuesday	• NFIB Small Business Optimism • JOLTS Job Openings • Wholesale Inventories
Wednesday	• MBA Mortgage Applications • Inflation - Consumer Price Index (CPI) • FOMC Rate Decision • Monthly Budget Statement
Thursday	• Jobless Claims • Inflation - Consumer Price Index (CPI)
Friday	• Import and Export Prices • 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	Real Estate 2.31	Emg Markets 2.38	Small Value 3.56	Intl Bonds 1.28	Small Value 4.90	Small Value 11.47	High
	Emg Markets 2.31	Small Value 1.05	Real Estate 3.00	Small Value 0.80	Real Estate 3.64	Mid Value 9.53	
	Intl Equity 2.23	Mid Value 1.05	Mid Value 2.96	Large Value 0.57	Mid Value 3.22	Real Estate 9.26	
	Mid Value 1.41	Large Value 1.02	Intl Equity 2.39	Mid Value 0.57	Small Growth 2.97	Emg Markets 8.45	
	Small Growth 1.24	High Yield Bond 0.99	Emg Markets 2.33	60/40 Allocation -0.28	Large Value 2.97	Large Value 7.58	
	Mid Growth 0.96	Intl Equity 0.93	Large Value 2.29	U.S. Bonds -0.30	Emg Markets 2.63	Intl Equity 7.01	
	60/40 Allocation 0.93	Real Estate 0.90	Mid Growth 1.67	High Yield Bond -0.31	Large Growth 2.22	Small Growth 5.73	
	High Yield Bond 0.75	Mid Growth 0.79	Small Growth 1.49	Intl Equity -0.43	Mid Growth 2.09	60/40 Allocation 4.42	
	Small Value 0.74	60/40 Allocation 0.73	60/40 Allocation 1.31	Small Growth -0.78	Intl Equity 1.72	Mid Growth 4.17	
	Intl Bonds 0.66	Small Growth 0.71	Large Growth 0.87	Real Estate -0.85	60/40 Allocation 1.63	Large Growth 3.31	
	Large Growth 0.63	Large Growth 0.63	Intl Bonds 0.69	Large Growth -1.06	High Yield Bond 0.94	Intl Bonds 3.14	
	Large Value 0.53	Intl Bonds 0.24	High Yield Bond 0.47	Mid Growth -1.38	Intl Bonds 0.24	High Yield Bond 2.87	
Low	U.S. Bonds -0.06	U.S. Bonds 0.09	U.S. Bonds -0.25	Emg Markets -1.41	U.S. Bonds 0.06	U.S. Bonds -0.46	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.