WEEK IN REVIEW

June 12, 2020

The Bottom Line

- Volatility returned to the markets as stocks had their biggest weekly loss since March, marked by sharp declines of -5% to -7% on Thursday. The Cboe Volatility (VIX) Index hit its highest level since April, trading above 43 before moving back below 36 by the close of Friday.
- U.S. bonds were the only safe haven among the major asset groups this week. The yield on the benchmark U.S. Treasury bond fell -19 basis points, the biggest weekly decline since early March.
- Stocks had been rallying prior to this week on optimism from the economy reopening, but fears of a second wave hit investors as new COVID cases jumped in some states.

Stocks finish an ugly week on a positive note

It was quite literally a week of highs and lows. This week the S&P 500 briefly traded in positive territory for the year and ended Monday less than 5% away from a record high. On Wednesday, the technology-heavy Nasdaq Composite Index closed above 10,000 for the first time hitting an all-time high. But then stocks hit a buzz saw on Thursday, with most major equity indexes plunging -5% to -7% on the day. Optimism surrounding progress on economic reopenings, a major reason for the recent rally, was tempered by reports of a rise in new COVID-19 cases in some U.S. states, fueling fears of a second wave. Stocks recovered somewhat on Friday in a rocky session. The yield on the 10-year U.S. Treasury closed at 0.71, down -19 basis points for the week. On Wednesday Federal Reserve Chairman Jerome Powell warned that the economy faced a long road to recovery and that the labor market may face more hurdles, saying “we’re still in the very early days of reopening the economy. The employment situation is still very precarious. And there’s no playbook for reopening the economy after a multi-month shutdown.” On Thursday Treasury Secretary Steven Mnuchin said that a second round of stimulus payments was being considered.

Digits & Did You Knows

SO LOW - As of the close of trading on 6/12/20, the yield on the 10-year Treasury note (0.71%) has been below 2% for 219 consecutive trading days, i.e., since 8/01/19, the longest stretch below 2% in US history. The highest closing yield for the 10-year Treasury note in history was 15.84% on 9/30/81 (source: Treasury Department, BTN Research).

LESS MONEY - There were 155.8 million Americans who had jobs as of mid-March 2020. 77% of those workers (119.2 million) have “experienced loss of employment income” since 3/13/20, the date of President Trump’s declaration of a national emergency (source: US Census Bureau Household Pulse Survey: May 21-26, BTN Research).

Market Snapshot	Index Level	1-week Price Return	2020 Price Return
EQUITIES			
S&P 500	3,041.31	**-4.78%**	**-5.86%**
Nasdaq Composite	9,588.81	**-2.30%**	**+6.87%**
Russell 2000	1,387.69	**-7.93%**	**-16.83%**
Nikkei-225 (Japan)	22,305.48	**-2.44%**	**-5.71%**
STOXX Europe 600	354.06	**-5.66%**	**-14.86%**
RATES			
2-Year UST Note	0.19	-2 bps	-138 bps
10-Year UST Note	0.71	-19 bps	-121 bps

QUALIFIED PLAN ADVISORS

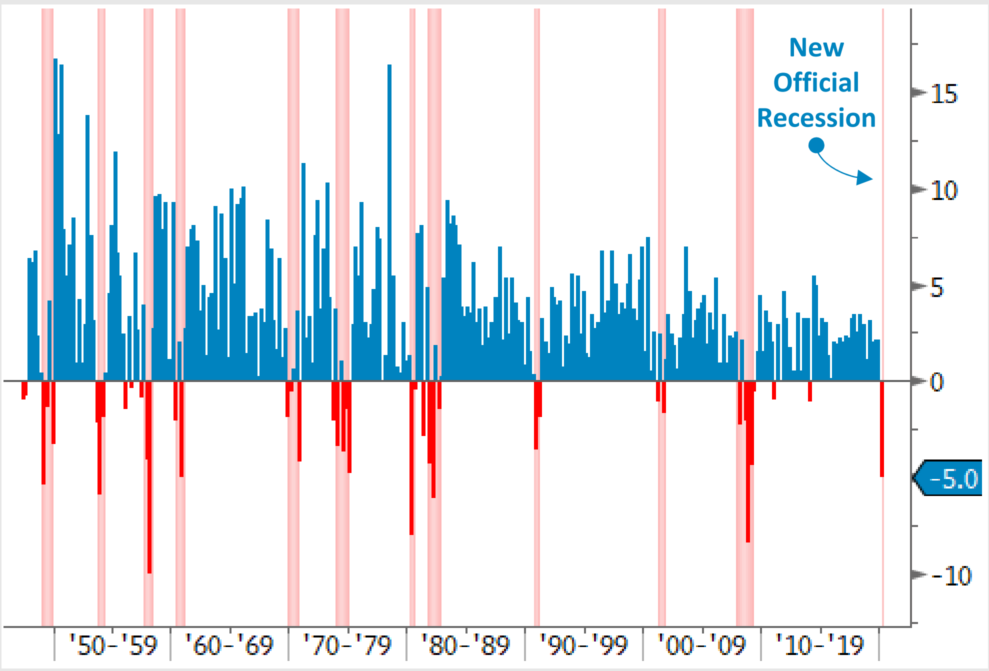
June 12, 2020

WEEK IN REVIEW

Chart of the Week

From the "tell me something I don't know" category, in February the U.S. officially entered a recession. The worst U.S. downturn since the Great Depression is now officially a recession, according to the National Bureau of Economic Research. That ended the 128-month expansion, which was the longest in post-World War II history. The NBER cited the "unprecedented magnitude of the decline in employment and production, and its broad reach across the entire economy." Most economists expect the contraction will end in the second quarter, halting the recession as well. That would make it not only the deepest recession since World War II but also the shortest. No recession has been less than six months, dating back to the mid-1800s.

U.S. GDP Growth, (QoQ % change, annualized, as of 3/31/20)



Sources: Bloomberg

Economic Rundown

- The **Conference Board's Employment Trends Index (ETI)** rebounded 8.8% in May, the first increase in four months. Results were robust as 7 of 8 components made positive contributions. The **Manpower Employment Outlook Survey** for Q3-2020 sank 16 points to just 3, its lowest level since Q4 2009. The decline was the steepest since Q3 1980 and employment outlook weakened in all four regions. However, 42% of firms did expect their hiring to return to pre-pandemic levels in July, and 60% expect that to happen by the end of the year.
- The **NFIB Small Business Optimism Index** rebounded 3.5 points in May to 94.4. The rebound was broad based with 8 of the 10 components up, albeit from very weak levels.
- **Consumer Price Index (CPI)** inflation fell 0.1% in May, its third straight decline. Core CPI, which excludes food and energy, also fell 0.1%. On a y/y basis, CPI slid to just 0.1%, the slowest pace since September 2015. The **Producer Price Index (PPI)** for final demand rose 0.4% in May, its first increase in four months. Core PPI, was down 0.1%.
- **Initial Jobless Claims** fell for the tenth week in a row, down 355,000, but remain at a high level of 1.542 million.
- The **OECD U.S. Composite Leading Indicator (CLI)** was up a record 0.9% in May, its first increase in four months.
- The **Reuters/University of Michigan Consumer Sentiment Index** increased 6.6 points in the initial June survey to 78.9. It was the biggest increase since November 2016.

The Week Ahead

Monday	• NY State Empire Manufacturing • Treasury Intl Capital (TIC) Flows
Tuesday	• Retail Sales • Industrial Production • Capacity Utilization • NAHB Housing Market Index (HMI)
Wednesday	• MBA Mortgage Applications • Building Permits • Housing Starts
Thursday	• Jobless Claims • Conf Bd US Leading Economic Index (LEI)
Friday	• Current Account Balance

June 12, 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	Small Value 2.84	U.S. Bonds 0.13	Emg Markets 0.73	U.S. Bonds -0.17	Real Estate 3.58	U.S. Bonds 0.58	High
	Mid Value 2.64	Large Growth 0.10	Large Growth 0.56	Intl Bonds -1.28	Small Value 2.94	Intl Bonds -0.79	
	Real Estate 2.64	Intl Bonds -0.32	Intl Bonds 0.55	High Yield Bond -2.57	Mid Value 2.16	High Yield Bond -2.39	
	Large Value 1.93	Emg Markets -0.68	U.S. Bonds 0.41	60/40 Allocation -3.81	Emg Markets 2.13	Emg Markets -2.57	
	Small Growth 1.36	High Yield Bond -0.78	High Yield Bond -0.14	Emg Markets -5.22	Small Growth 1.90	60/40 Allocation -2.91	
	Intl Equity 1.30	60/40 Allocation -0.79	Intl Equity -0.22	Intl Equity -5.36	Large Value 1.77	Large Growth -3.01	
	60/40 Allocation 0.98	Mid Growth -1.22	Mid Growth -0.33	Mid Growth -5.41	Intl Equity 1.73	Intl Equity -3.95	
	Mid Growth 0.91	Intl Equity -1.30	60/40 Allocation -0.39	Large Growth -5.43	60/40 Allocation 1.16	Real Estate -4.52	
	Intl Bonds 0.88	Small Growth -1.39	Small Growth -1.61	Real Estate -6.32	Mid Growth 1.08	Mid Growth -5.01	
	Large Growth 0.86	Real Estate -1.61	Large Value -2.21	Large Value -6.49	Large Growth 1.02	Small Growth -6.78	
	Emg Markets 0.61	Large Value -1.97	Real Estate -2.55	Mid Value -6.72	High Yield Bond 0.99	Large Value -7.01	
	High Yield Bond 0.12	Small Value -2.53	Mid Value -2.69	Small Growth -6.98	U.S. Bonds 0.10	Mid Value -7.31	
Low	U.S. Bonds 0.11	Mid Value -2.62	Small Value -4.06	Small Value -8.38	Intl Bonds -0.62	Small Value -9.30	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.

Advisory services offered through Prime Capital Investment Advisors, LLC. ("PCIA"), a Registered Investment Adviser. PCIA doing business as Prime Capital Wealth Management ("PCWM") and Qualified Plan Advisors ("QPA").

QUALIFIED PLAN ADVISORS