WEEK IN REVIEW

June 19, 2020

The Bottom Line

- Heavy trading and quadruple witching capped a choppy week in stock markets, but in the end stocks were able to advance for most major global indexes.
- Even while stocks recovered from fears of a coronavirus resurgence, U.S. bonds and the U.S. dollar gained as some spooked investors sought safety from the back-and-forth trading in equities.
- Geopolitical events surfaced during the week and added to the choppy trading. Tensions rose between the U.S. & China (human rights), India & China (borders), North Korea & South Korea (diplomatic building), and the U.S. & Europe (digital taxes).

Markets yo-yo but end positive for the week

Heavy trading and sharp intra-day reversals characterized the markets for much of the week. The tug of war in trading ended with a "quadruple witching" day on Friday, the day each quarter in which options and futures on equities and indexes all expire (often known for extra heavy volume and resulting in the busiest days of the year – frequently with large price swings). Headlines for the week swung between reports of surprisingly strong economic data (detailed on the following page) and concerns around a second wave of coronavirus cases in the U.S. and China. A series of geopolitical tensions also surfaced during the week. President Trump signed a bill that aims to punish China for human rights abuses against Uyghur Muslims (and China quickly condemned the U.S. action), the U.S. pulled out of negotiations with European countries over global digital taxes, China and India are working to deescalate a border conflict, and North Korea blew up a diplomatic building used for talks with South Korea. Central banks around the world kept busy: the Bank of England, the European Central Bank, the Bank of Japan, Russia's central bank and the Federal Reserve all conducted some accommodative actions.

Digits & Did You Knows

WHATEVER IT TAKES - The Fed established the $500 billion Municipal Liquidity Facility on 5/26/20, which can purchase short-term debt directly from US states. Illinois became the first state to utilize the facility, borrowing $1.2 billion on 6/05/20 for a period of 1-year at a cost of 3.82%. Illinois faced a revenue shortfall due to a pandemic-driven delay in its tax collections (source: Federal Reserve, BTN Research).

THEY PRINT, THEY BUY - The Fed was purchasing $75 billion per day of Treasury bonds in mid-March when it launched "Unlimited Quantitative Easing." The daily debt purchases by the Fed have slowed, dropping to just $4.5B/day of Treasury bonds last week (source: Federal Reserve, BTN Research).

Market Snapshot	Index Level	1-week Price Return	2020 Price Return
EQUITIES			
S&P 500	3,097.74	**+1.86%**	**-4.12%**
Nasdaq Composite	9,946.12	**+3.73%**	**+10.85%**
Russell 2000	1,418.63	**+2.23%**	**-14.97%**
Nikkei-225 (Japan)	22,478.79	**+0.78%**	**-4.98%**
STOXX Europe 600	365.46	**+3.22%**	**-12.12%**
RATES			
2-Year UST Note	0.19	-1 bps	-138 bps
10-Year UST Note	0.70	-1 bps	-122 bps

QUALIFIED PLAN ADVISORS

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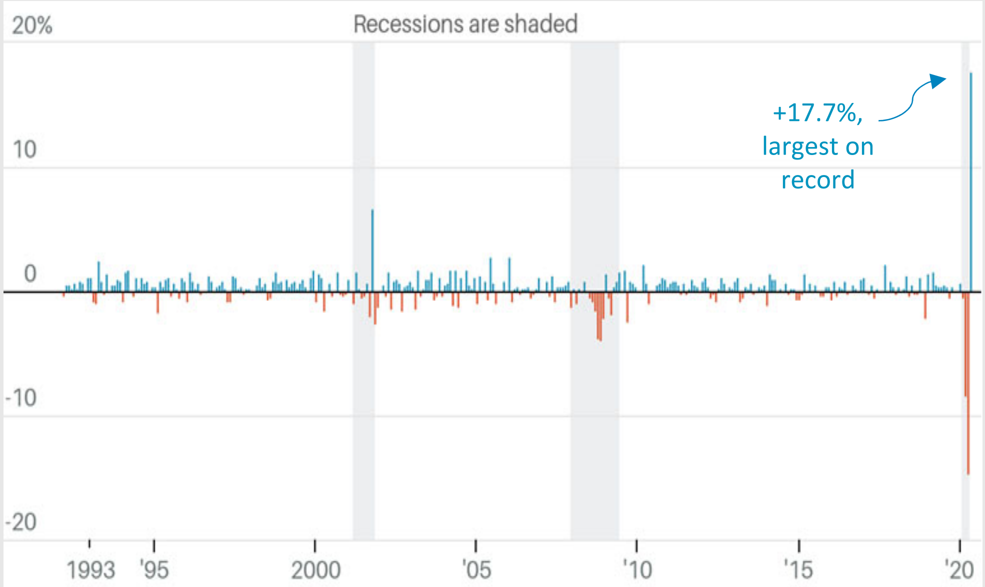
Chart of the Week

U.S. retail sales for May surged +17.7% month-over-month, far exceeding the +8.1% expected by economists surveyed by FactSet. May's record monthly rise more than offset April's -14.7% plunge. Excluding more volatile items such as autos, building materials and gasoline, sales still rose +11% in May, compared with a -12.4% decline in April. The data may be an indication of just how ready Americans are to resume spending after months in lockdown. Economic recovery from the coronavirus-induced shutdowns will largely depend on the willingness and ability of the American consumer to resume spending. Consumer activity represents about 70% of U.S. GDP. Sales were robust across categories led by clothing and accessories, up +188%.

Retail Rebound

May U.S. retail sales jumped 17.7%, the largest monthly increase on record.



Source: U.S. Census Bureau via St. Louis Fed, Barron's.
Note: Seasonally adjusted. Recessions are shaded

Economic Rundown

- The June **Empire State (NY) General Business Conditions Index** surged a record +48.3 points. And though still negative at -0.2, it beat consensus expectations for -35.0. The June **Philly Fed General Business Activity Index** surged a record +70.6 points, to 27.5. It was in positive territory for the first time since February.
- May **Industrial Production** edged up +1.4%, the first increase in three months, as factories began to reopen. **Capacity Utilization** also edged up +0.8 ppt to 64.8%, but remains near record lows, and under consensus of 66.7%.
- The **NAHB/Wells Fargo Housing Market Index (HMI)** gained a record +21 points to 58, topping forecasts of 46. It was the first time in 3 months that it was above the break-even level of 50, yet is still far from the cycle high of 76 at the end of 2019. The **MBA Purchase Index** up +3.5% last week, its 9th straight increase, fueled by record low mortgage rates. The index is at its highest level since January 2009. May **Housing Starts** rebounded +4.3%, the 1st increase in 4 months. **Building Permits** jumped +14.4%, the most since June 2008. Single- and multi-family permits were up double-digits.
- The May **Conference Board Leading Economic Index (LEI)** rebounded a record +2.8%, beating expectations for +2.4% and marking the first increase in four months. Seven of the ten components were positive.

The Week Ahead

Monday	• Chicago Fed Nat Activity Index (CFNAI) • Existing Home Sales
Tuesday	• Markit US PMIs • New Home Sales • Richmond Fed Manufacturing Index
Wednesday	• MBA Mortgage Applications • FHFA House Price Index
Thursday	• Jobless Claims • Wholesale Inventories • Durable Goods Orders • Gross Domestic Product (GDP) • Kansas City Fed Manufacturing Activity
Friday	• Personal Income and Spending • Personal Consumption Expenditures (PCE) • U. of Michigan 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	Small Growth 2.77	Small Value 2.68	Emg Markets 0.96	Mid Growth 0.30	U.S. Bonds 0.03	Small Growth 3.78
	Small Value 1.66	Small Growth 2.16	Intl Equity 0.37	Large Growth 0.18	Emg Markets -0.03	Mid Growth 3.58
	Mid Growth 1.64	Large Growth 2.07	Mid Growth 0.11	Small Growth 0.11	Small Growth -0.14	Large Growth 3.18
	Mid Value 1.24	Real Estate 1.97	Large Growth 0.06	U.S. Bonds 0.10	Large Growth -0.22	Intl Equity 0.98
	Real Estate 1.14	Mid Value 1.95	U.S. Bonds -0.08	Emg Markets 0.05	Mid Growth -0.26	60/40 Allocation 0.81
	Large Growth 1.07	Mid Growth 1.75	60/40 Allocation -0.24	High Yield Bond -0.04	Intl Bonds -0.30	Emg Markets 0.71
	High Yield Bond 0.97	Large Value 1.68	Intl Bonds -0.33	Large Value -0.10	High Yield Bond -0.34	Large Value 0.55
	Large Value 0.88	Intl Equity 1.24	High Yield Bond -0.47	60/40 Allocation -0.11	60/40 Allocation -0.36	High Yield Bond 0.53
	60/40 Allocation 0.59	60/40 Allocation 0.95	Large Value -1.03	Small Value -0.12	Intl Equity -0.49	Small Value 0.42
	Intl Equity 0.40	Emg Markets 0.64	Small Growth -1.12	Mid Value -0.18	Large Value -0.85	Mid Value 0.42
	U.S. Bonds 0.33	Intl Bonds 0.48	Mid Value -1.26	Intl Bonds -0.47	Small Value -1.05	U.S. Bonds 0.19
	Intl Bonds -0.06	High Yield Bond 0.41	Real Estate -1.35	Intl Equity -0.54	Real Estate -1.26	Real Estate -0.61
Low	Emg Markets -0.90	U.S. Bonds -0.20	Small Value -2.65	Real Estate -1.07	Mid Value -1.29	Intl Bonds -0.68

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.