WEEK IN REVIEW

June 26, 2020

The Bottom Line

- Most major U.S. and European equity indexes were down -2 to -3 percent for the week. Asia/Pacific region stocks managed to advance, led by China's +3% gain.
- The risk off tone helped global bonds join emerging market stocks as the only positive asset classes for the week. The yield on the 10-year Treasury fell to 0.64% -- the lowest level in six weeks.
- Daily Covid-19 new cases took a turn for the worse this week, and it became too much for the markets to ignore. New cases in hotspot states like Arizona, Florida, and Texas accelerated materially. Fortunately hospitalization and death rates have yet to see a commensurate rise.

Stocks shift to reverse as COVID cases rise

The major U.S. indices finished down more than -2% on Friday, dragging weekly declines down to those levels as well. Markets got off to a good start this week with gains on Monday and Tuesday, aided by purchasing manager indices showing that global manufacturing had improved, and that the U.S. was the highest in four months. The Nasdaq even hit an all-time high on Tuesday. But news of rising coronavirus cases in several states began to weigh on investors and finally overwhelmed the markets on Friday. Arizona, Texas, South Carolina and Florida saw confirmed cases rise by more than 30% over the past week. The surge in new coronavirus infections prompted renewed restrictions on businesses in some of those states. For example, Texas and Florida ordered bars to close down again. A Wall Street Journal article on Friday reported that the Phase 1 U.S.-China trade deal could be at risk, which further added pressure on stocks. Markets entered Friday on shaky ground after the Federal Reserve capped bank dividend payments and banned share buybacks on Thursday. A big earnings miss, on weaker revenues, by Nike before Friday's session also added to the negative sentiment.

Digits & Did You Knows

GOOD QUARTER – Despite this week's losses, the S&P 500 is on track for its best quarter since 1998, but some sectors are still struggling. The Consumer Discretionary and Energy sectors are on pace for their best quarterly performances on record, but Utilities and Real-Estate are just above correction territory (a -10% drop from their recent highs, source: WSJ).

KEEP WORKING – 71% of 1,008 American adults surveyed in late April 2020 say that the COVID-19 pandemic has negatively impacted their retirement plans. 51% say that the pandemic has also forced them to be "more open" to having some type of income-paying job during retirement (source: TD Ameritrade, BTN Research).

Market Snapshot	Index Level	1-week Price Return	2020 Price Return
EQUITIES			
S&P 500	3,009.05	**-2.86%**	**-6.86%**
Nasdaq Composite	9,757.22	**-1.90%**	**+8.74%**
Russell 2000	1,378.78	**-2.81%**	**-17.36%**
Nikkei-225 (Japan)	22,512.08	**+0.15%**	**-4.84%**
STOXX Europe 600	358.32	**-1.95%**	**-13.83%**
RATES			
2-Year UST Note	0.17	-2 bps	-140 bps
10-Year UST Note	0.64	-6 bps	-128 bps

QUALIFIED PLAN ADVISORS

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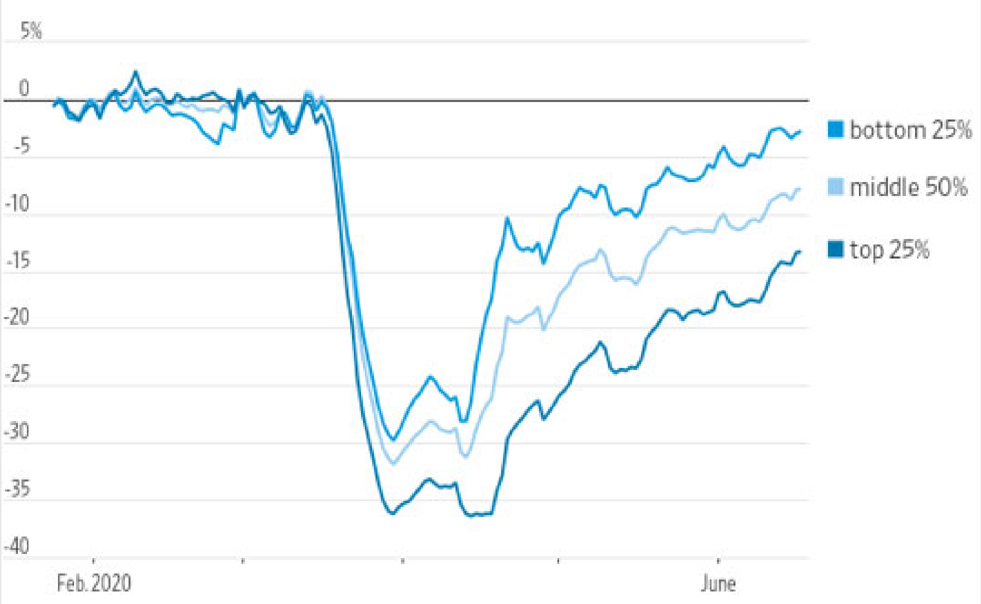
Chart of the Week

In an unanticipated development, the largest increase in consumer spending from the depths of the coronavirus-induced shutdown has come from lower-income Americans. Hotels, restaurants, and other service industries were some of the hardest hit by the crisis. They were also some of the first to realize large-scale layoffs of workers that tend to fall in the lower income category. So it is surprising to see the lower income group register the largest bounce in spending that began in mid-April. That timeline coincides with when many Americans began receiving stimulus payments and $600 in weekly unemployment checks. That has some economists concerned that the spending may not be sustained once stimulus runs out later this summer.

Hey Big Spender

Change in consumer spending from January by zip-code income level.



Source: WSJ, Affinity Solutions via Opportunity Insights.

Economic Rundown

- The **Chicago Fed National Activity Index (CFNAI)** rebounded by a record amount in May to a record level.
- Housing data was mixed this week. **Existing Home Sales** declined for a third straight month, falling to its lowest level since October 2010. In contrast, **New Home Sales** jumped +16.6%, the most in a year. The **FHFA Purchase-Only House Price Index** was up in April, but **Mortgage Applications** had their first decline in 10 weeks.
- The flash **Markit Purchasing Managers Indices (PMIs)** improved markedly in June, though fell just short of 50, the level indicating expansion. The Markit PMIs strength has been confirmed by other regional Fed surveys last week and this week. The **Richmond**, **Philadelphia**, and **Kansas City Fed Manufacturing** gauges all surged in June.
- **Durable Goods Orders** surged more than anticipated in May, up +5.8% , the largest gain since July 2014.
- The third estimate of **Q1 Real GDP** growth was unrevised at a -5.0% annual rate, in line with forecasts, and marking the largest decline since Q4 2008.
- **Jobless Claims** fell by 60k, the 12th straight weekly drop.
- **Consumer spending (PCE)** surged a record +8.2% in May as the economy reopened, but **personal income** dropped the most since January 2013 as fiscal stimulus faded. The **saving rate** was 23.2%, down from 32.2% in May.

The Week Ahead

Monday	• Pending Home Sales • Dallas Fed Manufacturing Activity
Tuesday	• S&P CoreLogic CS Home Price Index (HPI) • MNI Chicago PMI • Conference Board Consumer Confidence
Wednesday	• MBA Mortgage Applications • Markit US Manufacturing PMI • ISM Manufacturing PMI • Construction Spending • FOMC Meeting Minutes
Thursday	• Jobless Claims • Trade Balance • Nonfarm Payrolls & Unemployment Rpt
Friday	• n/a

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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 1.34	Emg Markets 0.97	U.S. Bonds -0.02	Small Value 1.73	Intl Bonds 0.46	Intl Bonds 0.90	High
	Emg Markets 1.23	Small Growth 0.79	Intl Bonds -0.32	Small Growth 1.43	U.S. Bonds 0.12	U.S. Bonds 0.18	
	Intl Equity 1.20	Intl Bonds 0.71	High Yield Bond -1.02	Intl Equity 1.42	High Yield Bond -0.95	Emg Markets 0.05	
	Large Growth 1.10	Large Growth 0.69	Emg Markets -1.32	Real Estate 1.23	60/40 Allocation -1.12	Intl Equity -0.90	
	Mid Growth 0.86	Intl Equity 0.55	60/40 Allocation -1.64	Large Growth 1.15	Emg Markets -1.21	60/40 Allocation -1.29	
	Intl Bonds 0.72	60/40 Allocation 0.29	Large Growth -2.41	Mid Growth 1.14	Intl Equity -1.45	Large Growth -1.85	
	60/40 Allocation 0.49	High Yield Bond 0.14	Intl Equity -2.56	Large Value 1.07	Mid Growth -1.50	High Yield Bond -1.86	
	Small Value 0.44	Small Value 0.11	Mid Growth -2.76	Mid Value 1.02	Real Estate -1.99	Small Growth -2.18	
	Mid Value 0.06	Large Value 0.07	Real Estate -2.86	60/40 Allocation 0.71	Mid Value -2.03	Mid Growth -2.36	
	U.S. Bonds -0.03	Mid Value -0.01	Large Value -2.94	Emg Markets 0.42	Large Value -2.29	Small Value -4.04	
	Large Value -0.07	U.S. Bonds -0.02	Small Growth -3.12	U.S. Bonds 0.12	Large Growth -2.33	Real Estate -4.09	
	High Yield Bond -0.07	Mid Growth -0.08	Mid Value -3.16	High Yield Bond 0.04	Small Value -2.54	Mid Value -4.11	
Low	Real Estate -0.19	Real Estate -0.30	Small Value -3.74	Intl Bonds -0.66	Small Growth -2.54	Large Value -4.15	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.