WEEK IN REVIEW

July 31, 2020

The Bottom Line

- Global equities were mixed as the U.S. posted healthy gains, while stocks in Asia and Europe slumped. Good earnings from the big technology names drove large growth and the Nasdaq Composite to the top of the pack.
- Treasury yields in the 2-year to 10-year range fell to all-time lows this week. Some of the biggest beneficiaries of the lower interest rates were real estate and gold, which were up +4.5% and +5.0% respectively.
- The first estimate of second quarter GDP came in better than expected, but was still down at an annualized rate of -32.9%, the largest quarterly decline using the current methodology and the fourth worst since 1900.

Earnings and big tech to the rescue

Stocks ended on a strong note on Friday after technology companies reported healthy results. Amazon, Apple and Facebook all posted solid earnings, in stark contrast to losses reported by energy firms such as Chevron and Exxon Mobil. Overall, with nearly two-thirds of the S&P 500 companies having reported earnings so far for Q2-2020, FactSet reports that about 80% have exceeded expectations and earnings growth is -35.9% below Q2-2019. For the week the S&P 500 gained +1.7%, leaving it up +1.3% in 2020 and just -3.4% from its February all-time highs. Investors had to contend with more reports about Coronavirus flare-ups globally, even as new cases in the U.S. appeared to have stabilized. Countries in Asia such as China, Japan and Vietnam have experienced rising cases recently, while in Europe, France and Spain have seen a resurgence in cases. The U.S. Federal Reserve left monetary policy unchanged at its latest Federal Open Market Committee (FOMC) meetings. Fed Chairman Jerome Powell cited an extraordinarily uncertain economic outlook, which hinges on the direction of the pandemic. He also said the economy faces a long road to recovery and will need more government spending to support the economy.

Digits & Did You Knows

NEGATIVE VIEW – 73 percent of Americans now hold unfavorable views of China according to a Pew Research Center poll. That marks a seven-point increase compared with a previous Pew survey published in March and is the highest percentage since Pew began asking the question in 2005 (source: The Wall Street Journal, Pew Research Center).

WHO KNEW – Eastman Kodak received a $765 million loan from the U.S. government, but less than a day before the announcement, the stock was already rising on heavy volume as 1.6 million shares traded on Monday, far above the average daily volume of 231,000 for the previous 30 trading days, and the price gained 25% (source: The WSJ).

Market Snapshot	Index Level	1-week Price Return	2020 Price Return
EQUITIES			
S&P 500	3,271.12	**+1.73%**	**+1.25%**
Nasdaq Composite	10,745.27	**+3.69%**	**+19.76%**
Russell 2000	1,480.43	**+0.88%**	**-11.27%**
Nikkei-225 (Japan)	21,710.00	**-4.58%**	**-8.23%**
STOXX Europe 600	356.33	**-2.98%**	**-14.31%**
RATES			
2-Year UST Note	0.11	-4 bps	-146 bps
10-Year UST Note	0.53	-6 bps	-139 bps

QUALIFIED PLAN ADVISORS

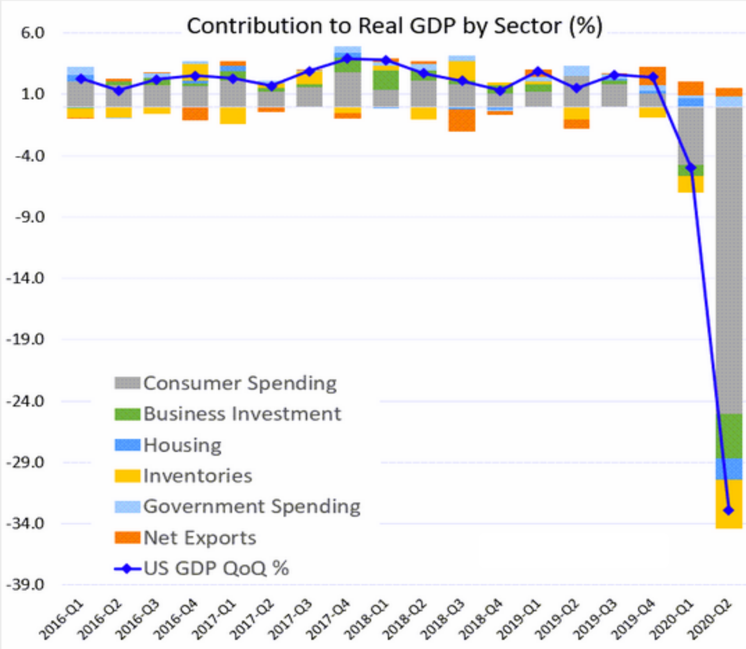
July 31, 2020

WEEK IN REVIEW

Chart of the Week

As was widely expected, the contraction in U.S. second-quarter gross domestic product (GDP) was severe. The Commerce Department announced the initial estimate for second-quarter GDP, which it will adjust in the coming months. The initial reading was ugly as the U.S. economy shrank from April through June at a -32.9% annualized rate, which was the most in the post-WWII history of the series. As bad as that was, it was actually slightly better than what economists had forecast. The number does look a bit worse than the reality. Because it's an annualized rate, it indicates what would happen to the U.S. economy if conditions continued at their second-quarter level for the entire year. Fortunately, the worst of economic contraction from the coronavirus-induced shutdowns are well behind us. As we chronicle every week, many of the economic reports are coming in better than expected since the peak period of stay-at-home orders, layoffs, and businesses shut downs. As a result the full-year 2020 GDP decline is going to be much less dramatic.

Steep Decline in Q2 Real GDP



Source: The Commerce Department, The Wall Street Journal

Economic Rundown

- **Durable Goods Orders** were up for a second straight month in June, up +7.3% and above expectations. But on an annual basis they are still down -20.5%.
- The July **Texas Manufacturing General Business Activity Index** ticked up 3.1 points to -3.0, still negative for the fifth month in a row, but an improvement. The **Richmond Fed Manufacturing Index** rose 10 points to 10, its first time in expansion territory since March.
- The July **Conference Board's Consumer Confidence Index** fell -5.7 points to 92.6, below expectations and still well below its pre-pandemic level of 132.6. On a year-over-year basis, confidence is down 43.2 points.
- The **S&P CoreLogic Case-Shiller National Home Price Index** ticked up 0.1% in May, and was up 4.5% annually. June **Pending Home Sales** jumped +16.6%, the second most on record, and beating expectations and completely reversing the recessionary slump.
- Federal Reserve Chair Jerome Powell said the economy faces a long road to recovery that will require more fiscal spending, but no new monetary policy was announced.
- **Initial Jobless Claims** rose for a second straight week..
- **Personal Income** fell -1.1% in June as government support eased, but **Consumer Spending** rose +5.6%.
- July's **Reuters/Univ. of Michigan Consumer Sentiment Index** fell -5.6 points to 72.5 as COVID cases increased.

The Week Ahead

Monday	• Markit US Manufacturing PMI • ISM Manufacturing PMI • Construction Spending
Tuesday	• Factory Orders
Wednesday	• MBA Mortgage Applications • ADP Employment Change • Trade Balance • Markit US Services PMI • ISM Services PMI
Thursday	• Jobless Claims • Challenger Job Cuts
Friday	• NFP Employment Situation Report • Wholesale Trade

July 31, 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 Growth 1.84	Real Estate 1.79	Small Value 2.67	Mid Growth 0.47	Large Growth 1.59	Real Estate 4.52
	Mid Growth 1.67	U.S. Bonds 0.07	Real Estate 2.24	Intl Bonds 0.39	Mid Growth 0.43	Large Growth 3.79
	Emg Markets 1.55	Intl Bonds -0.25	Mid Growth 2.12	Large Growth 0.32	High Yield Bond 0.19	Mid Growth 3.50
	Large Growth 1.50	High Yield Bond -0.26	Mid Value 1.86	Small Growth 0.30	U.S. Bonds 0.04	Intl Bonds 1.57
	Intl Equity 1.31	Small Value -0.29	Small Growth 1.70	High Yield Bond 0.21	Intl Bonds -0.10	Small Growth 1.32
	Intl Bonds 1.16	Large Value -0.32	Emg Markets 1.61	U.S. Bonds 0.08	Real Estate -0.21	High Yield Bond 0.93
	Real Estate 1.16	60/40 Allocation -0.35	Large Value 1.34	60/40 Allocation -0.45	Mid Value -0.30	Mid Value 0.53
	60/40 Allocation 0.69	Mid Value -0.59	Large Growth 1.33	Real Estate -0.51	Large Value -0.32	60/40 Allocation 0.50
	Mid Value 0.40	Intl Equity -0.64	Intl Equity 1.05	Mid Value -0.83	60/40 Allocation -0.36	Small Value 0.40
	Small Value 0.39	Emg Markets -0.82	60/40 Allocation 0.98	Large Value -1.01	Emg Markets -0.69	Emg Markets 0.35
	High Yield Bond 0.24	Large Growth -0.97	High Yield Bond 0.56	Small Value -1.21	Small Growth -0.82	U.S. Bonds 0.23
	Large Value 0.14	Mid Growth -1.21	Intl Bonds 0.37	Emg Markets -1.27	Small Value -1.11	Large Value -0.20
Low	U.S. Bonds -0.07	Small Growth -1.65	U.S. Bonds 0.12	Intl Equity -1.48	Intl Equity -2.13	Intl Equity -1.91

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