

# WEEK IN REVIEW



Aug 07, 2020

## The Bottom Line

- The U.S. and major international indexes were able to post gains for the week. In a change of pace, small cap and value stocks beat large caps and growth. Small cap value was up nearly +7% for the week, but still trails most styles in 2020 with a loss of -16.8%.
- A stronger-than-expected July nonfarm payroll report overcame the negative sentiment surrounding stalled talks in Congress on a fifth coronavirus relief package, as well as heightened tensions between the U.S and China.
- Economic data continues to surpass expectations. U.S. purchasing managers' indices (PMIs) advanced further and Eurozone manufacturing moved to expansion as well.

## Stocks prices go up, volatility goes down

The path of least resistance for stocks remains up. The S&P 500 came within 1% of its February 19 all-time closing high of 3,386 and the Nasdaq broke 11,000 for the first time on Thursday to set a record of 11,108. Meanwhile volatility, as measured by the Cboe Volatility Index (VIX) fell to 22.2, down from 24.5 a week ago, marking its lowest level since February 23. Small caps bucked their 2020 trend as laggards and increased +6% for the week. The strong showing for stocks came despite rising U.S.-China tensions. President Trump signed executive orders banning Americans from doing business with TikTok and WeChat, plus imposed sanctions on Hong Kong's leader Carrie Lam. Also, Congress remained at loggerheads over a fifth coronavirus relief package with Democrats seeking more than \$3 trillion in additional spending, while Republicans are looking for a at a \$1 trillion range. As a result of the impasse in Congress, on Saturday, President Trump signed four executive orders aimed at providing jobless aid, suspending some payroll taxes, halting evictions, and providing assistance for student loans. The weekly unemployment aid would include \$300 in federal assistance and ask states to fund an extra \$100.

## Digits & Did You Knows

**NEVER HIGHER** – The surging NASDAQ Composite closed above 11,000 points for the first time ever on Thursday, setting an all-time high of 11,108.07, its 16th record close since a national emergency was declared in the United States on 3/13/20. The 40 trading days since it passed 10,000 on June 10 is the fastest to a 1,000-point milestone in 20 years (source: NASDAQ, BTN Research, Bloomberg).

**A TAX IS BORN** – On August 5, 1861, federal income tax was imposed on the public for the first time, as the Revenue Act of 1861 became law, assessing a tax of 3% on all personal income in excess of \$800 a year to help pay for the Civil War. (source: The Wall Street Journal).

Market Snapshot	Index Level	1-week Price Return	2020 Price Return
<b>EQUITIES</b>			
S&P 500	3,351.28	+2.45%	+3.73%
Nasdaq Composite	11,010.98	+2.47%	+22.72%
Russell 2000	1,569.19	+6.00%	-5.95%
Nikkei-225 (Japan)	22,329.94	+2.86%	-5.61%
STOXX Europe 600	363.55	+2.03%	-12.57%
<b>RATES</b>			
2-Year UST Note	0.13	2 bps	-144 bps
10-Year UST Note	0.56	4 bps	-135 bps



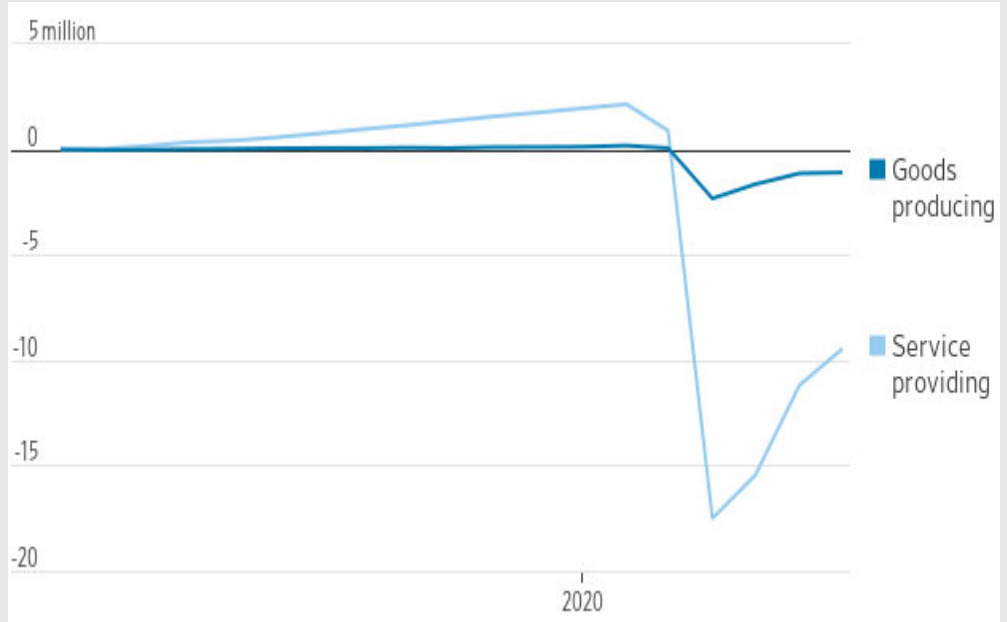
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### Chart of the Week

Surprise! Most high-frequency indicators were pointing to a disappointing July jobs report. The report covered the period in which virus infections had reaccelerated, and the Census Bureau’s own weekly surveys, Google’s cell phone location data, and business surveys all indicated that Friday’s number would be poor. Instead, payroll employment popped +1.3% in July as the economy added 1.76 million jobs—down from the 4.79 million it added in June, but much better than the negative number implied by other data sources. Unemployment fell to a 10.2% rate, also better than forecasts. Total payrolls are still 12.9 million lower than in February, but if job gains continued at July’s pace, that deficit will be erased by March, 2021.

### Jobs Surprise: U.S. Nonfarm payrolls



Note: Seasonally adjusted  
Source: Labor Department, The Wall Street Journal

### Economic Rundown

- June **Construction Spending** came in weaker than expected, falling -0.7%, while economists were expecting a +1.2% rise. It is the fourth straight monthly decline.
- The July **ISM Manufacturing PMI** was up +1.6 points, to 54.2, its third gain in a row, above expectations of 53.8, and at its highest level since March 2019. The **ISM Non-Manufacturing PMI** increased +1.0 point in July to 58.1, its highest level since February 2019. Economists expectations were for a -2.1 point decline. Separately, the July **Markit U.S. Manufacturing PMI** rose +1.1 points to 50.9, in expansion territory for the first time since February. The **Markit U.S. Services PMI** climbed +2.1 points in July to 50.0, ending five months of contraction.
- June **Factory Orders** were up +6.2%, beating expectations of +4.9%. It was the second straight month of gains. May and June combined for the best two months of increases ever, but orders are still down -11.9% from February.
- **Light vehicle sales** were up +11.1% in July, the third straight gain. That is an annual rate of 14.5 million units. The pre-pandemic rate was 16.4 million units, but the consecutive positive gains signals the recovery is healthy.

- **Initial Jobless Claims** broke the two week streak of increases as 1.2 million people filed initial claims for unemployment benefits in the week ended Aug. 1, better than the 1.4 million that economists expected.

### The Week Ahead

Monday	• Job Openings & Labor Turnover Survey (JOLTS)
Tuesday	• NFIB Small Business Optimism • Inflation - Producers Price Index (PPI)
Wednesday	• MBA Mortgage Applications • Inflation - Consumers Price Index (CPI) • Monthly Budget Statement
Thursday	• Jobless Claims • Import & Export Prices
Friday	• Retail Sales Advance • Nonfarm Productivity and Costs • Industrial Production • Capacity Utilization • U. of Mich. Consumer Sentiment



**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 2.34	Emg Markets 1.33	Small Value 2.22	Large Growth 0.93	Small Value 2.38	Small Value 6.69	High
	Intl Equity 1.95	Real Estate 1.26	Small Growth 1.75	Intl Bonds 0.64	Real Estate 1.36	Small Growth 5.50	
	Mid Growth 1.32	Small Value 0.93	Emg Markets 1.09	Emg Markets 0.31	Mid Value 1.30	Mid Value 3.20	
	Large Growth 1.29	Intl Bonds 0.80	Mid Value 0.82	High Yield Bond 0.22	Large Value 1.07	Large Value 2.78	
	Small Value 1.12	Intl Equity 0.55	Large Value 0.75	60/40 Allocation 0.22	Small Growth 0.84	Intl Equity 2.55	
	Emg Markets 0.69	60/40 Allocation 0.47	Large Growth 0.58	Large Value 0.16	60/40 Allocation -0.10	Large Growth 2.13	
	60/40 Allocation 0.67	Mid Value 0.47	60/40 Allocation 0.36	U.S. Bonds 0.14	U.S. Bonds -0.12	60/40 Allocation 1.63	
	Mid Value 0.61	Large Value 0.46	Mid Growth 0.36	Intl Equity 0.11	High Yield Bond -0.25	Emg Markets 1.34	
	Large Value 0.32	Small Growth 0.43	Intl Equity 0.33	Small Growth 0.04	Intl Equity -0.41	Real Estate 0.93	
	U.S. Bonds 0.04	Large Growth 0.31	High Yield Bond 0.18	Real Estate 0.01	Intl Bonds -0.58	Intl Bonds 0.48	
	High Yield Bond 0.02	Mid Growth 0.21	U.S. Bonds -0.19	Mid Value -0.04	Large Growth -0.97	High Yield Bond 0.14	
	Intl Bonds -0.11	U.S. Bonds 0.19	Intl Bonds -0.26	Small Value -0.11	Mid Growth -1.09	Mid Growth 0.08	
Low	Real Estate -1.30	High Yield Bond -0.04	Real Estate -0.38	Mid Growth -0.69	Emg Markets -2.05	U.S. Bonds 0.06	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.

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