WEEK IN REVIEW

Sept 4, 2020

The Bottom Line

- The S&P 500 and Nasdaq snapped their five-week winning streaks, resulting in the S&P and Dow having their worst week since June, while it the worst week since March for the Nasdaq as technology was hit hard.
- Friday's jobs report delivered mostly better than expected news on the employment front with the economy adding 1.4 million jobs in August, wages rising, and the unemployment rate dropping to 8.4%.
- Global PMIs showed further improvement but the Eurozone economy may be stalling as the July unemployment rate rose, German retail sales fell, and inflation sunk below zero for the first time in four years.

Volatility up, stocks down

After weeks of advancing, a bout of heavy selling hit stocks on Thursday and Friday, although Friday's close was well off the day's low. The S&P 500 had been up the prior five weeks, with a total return of nearly +9%, but fell back -2.3% this week. Historically, September is the worst month of the year for stocks and tends to be one of the most volatile. Since 1950, the S&P has dropped an average of around 1% in September, according to LPL Financial. The Cboe Volatility Index (VIX) surged to 35 from 25 last week. However, for longer term context, all three indexes remain up more than +50% from the lows in March. The yield on the 10-year US Treasury note declined to nearly 0.60% during Thursday's turbulence, but climbed back to 0.72% on Friday to close the week flat. Friday's employment situation report showed decent wage gains, a surprising drop in the unemployment rate, and a rise in the employment-to-population ratio, which are welcome signs and indications that the economic recovery should persist. Overseas, economic progress was also evident as the J.P. Morgan global composite purchasing managers' index (PMI) improved further, rising to 52.4 from 51 in July, its best reading since March 2019.

Digits & Did You Knows

TAKE A BITE OUT OF THE APPLE – Apple lost $180 billion in market capitalization Thursday, the largest one-day loss for the company on record. The drop was larger than the individual market capitalizations of 470 of the 500 companies in the S&P 500 (source: Wall Street Journal).

HISTORY RHYMES – On Sept 3, 1946, the S&P 500 index plunged by -6.73%, leading the U.S. Securities and Exchange Commission to appoint an investigative task force that concluded that the crash was caused when believers in the Dow Theory of technical analysis all sold at once. The index has averaged annual total returns of +11.3% since then (source: Wall Street Journal, Bloomberg).

Market Snapshot	Index Level	1-week Price Return	2020 Price Return
EQUITIES			
S&P 500	3,426.96	**-2.31%**	**+36.70%**
Nasdaq Composite	11,313.14	**-3.27%**	**+70.50%**
Russell 2000	1,535.30	**-2.73%**	**+13.85%**
Nikkei-225 (Japan)	23,205.43	**+1.41%**	**+15.94%**
STOXX Europe 600	361.93	**-1.86%**	**+7.19%**
RATES			
2-Year UST Note	0.14	2 bps	-235 bps
10-Year UST Note	0.72	0 bps	-196 bps

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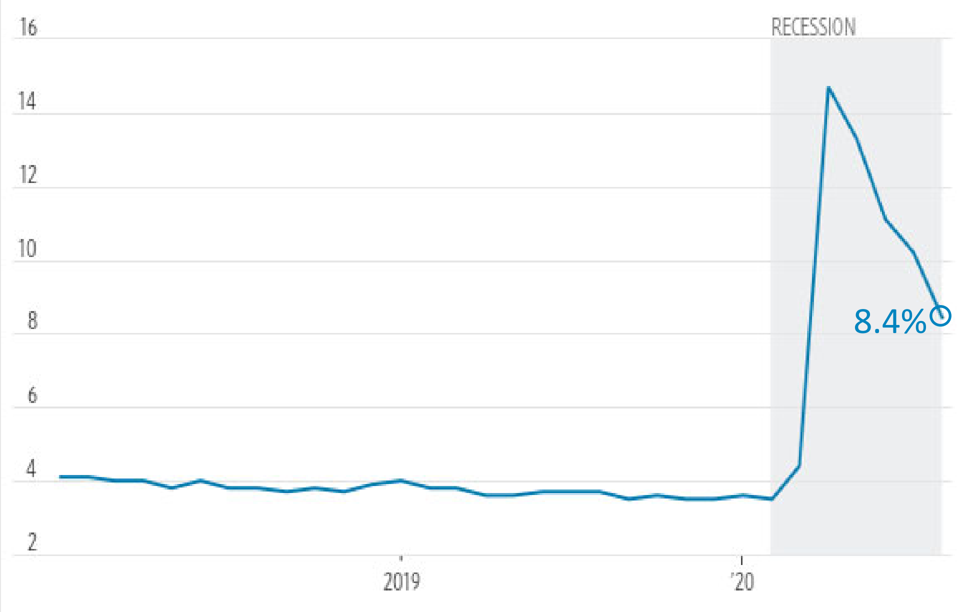
Chart of the Week

The U.S. jobs rebound extended for a fourth straight month. The economy added 1.371 million jobs in August, lower than the downwardly revised 1.734 million in July, but 50,000 more than consensus estimates. The more surprising number from the report was the unemployment rate which dropped back to single digits, hitting 8.4% -- down sharply from last month's 10.2%, and much better than the 9.8% economists expectations. Wages also improved nicely as average hourly earnings were up +0.4% from July and +4.7% from last year, both better than expected. Payrolls still remain nearly 11 million below its pre-pandemic level (more than 22 million jobs were lost in March and April), but the employment situation is definitely moving in the right direction.

Getting Better: U.S. Unemployment Rate



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

Economic Rundown

- The **Dallas Fed General Business Activity Index** for August turned positive for the first time in 5 months, coming in at 8.0, far ahead of economists forecasts 0.0.
- The August **U.S. ISM Manufacturing PMI** hit 56%, a 21-month high and well ahead of consensus expectations of 54.5. Results were quite robust with growth in 15 of 18 industrial sectors, and a "Faster" rate of change for 10 of 11 sub indexes. The **ISM Non-Manufacturing PMI** just missed expectations, falling -1.2 points to 56.9.
- The **Markit U.S. Manufacturing PMI** rose +2.2 points in August to 53.1, the highest level since January 2019, while the **Services PMI** rose 5.0 points to 55.0, moving into expansion territory for the fist time since January, to the fastest pace since March 2019.
- July **Construction Spending** was up +0.1% but missed estimates for +1.0%. On a year-over-year basis, construction spending fell slightly by -0.1%.
- August **Vehicle Sales** increased +3.9% to a 15.2 million unit annual rate, the highest level since February, and the fourth increase in a row.
- **Initial Jobless Claims** fell -130,000 to 811,000 last week, beating expectations, and at the lowest levels since mid-March. **Continuing Claims** fell 1.2 million to 13.25 million.
- **Factory Orders** were up +6.4% in July, the third straight increase, and beating the consensus of 6.2%. **Durable Goods Orders** were revised up to +11.4% from +11.2% and **Nondurable Goods Orders** rose +1.8%.

The Week Ahead

Monday	< Labor Day >
Tuesday	• NFIB Small Business Optimism • Consumer Credit
Wednesday	• MBA Mortgage Applications • Job Openings and Labor Turnover (JOLTS)
Thursday	• Jobless Claims • Inflation: Producer Price Index (PPI) • Wholesale Inventories &Trade
Friday	• Inflation: Consumer Price Index (CPI) • Monthly Budget Statement

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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	Intl Bonds 0.55	Emg Markets 1.71	Real Estate 1.82	U.S. Bonds 0.03	Small Value 0.14	Intl Bonds 0.46	High
	Large Growth 0.52	Mid Growth 1.62	Mid Value 1.71	Intl Bonds 0.01	Intl Equity 0.14	U.S. Bonds 0.16	
	Mid Growth 0.33	Large Growth 1.57	Large Value 1.60	High Yield Bond -0.62	Emg Markets 0.05	High Yield Bond -0.38	
	U.S. Bonds 0.22	Small Growth 1.17	Intl Equity 1.34	Real Estate -1.24	Intl Bonds 0.03	Real Estate -0.76	
	High Yield Bond -0.14	Small Value 1.02	Mid Growth 1.03	60/40 Allocation -1.62	Mid Value -0.13	Mid Value -1.05	
	60/40 Allocation -0.38	High Yield Bond 0.54	Large Growth 1.01	Small Value -1.79	Large Value -0.14	60/40 Allocation -1.14	
	Small Growth -0.50	Mid Value 0.54	Small Value 0.86	Emg Markets -1.90	High Yield Bond -0.27	Large Value -1.16	
	Intl Equity -0.76	60/40 Allocation 0.53	Small Growth 0.79	Mid Value -1.98	60/40 Allocation -0.39	Small Value -1.43	
	Large Value -0.84	Large Value 0.32	60/40 Allocation 0.75	Large Value -2.07	Real Estate -0.46	Intl Equity -1.47	
	Real Estate -0.96	U.S. Bonds 0.21	U.S. Bonds 0.20	Intl Equity -2.26	U.S. Bonds -0.50	Emg Markets -2.66	
	Mid Value -1.15	Real Estate 0.11	High Yield Bond 0.12	Small Growth -4.02	Small Growth -1.42	Large Growth -3.44	
	Small Value -1.63	Intl Equity 0.11	Intl Bonds 0.07	Mid Growth -4.59	Large Growth -1.55	Mid Growth -3.78	
Low	Emg Markets -2.22	Intl Bonds -0.21	Emg Markets -0.26	Large Growth -4.89	Mid Growth -2.09	Small Growth -4.00	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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