WEEK IN REVIEW

October 30, 2020

The Bottom Line

- Stocks had their worst week since the March pandemic panic. The week saw the S&P 500 end down -5.6%, the Dow Jones Industrial Average off -6.5% and the Nasdaq off -5.5%. International stocks also fell about -5%.
- Rising coronavirus cases, a delayed stimulus deal, and a tumultuous presidential election all seemed to weigh on risk assets. The pullback in equities overshadowed a stellar GDP report, and overall strong earnings reports.
- Despite some prominent technology company misses late in the week, Q3-2020 corporate earnings have largely exceeded expectations at a rate, and magnitude, that are at, or near, historic highs.

Stocks have worst week since March

Wall Street ended the week, and the month, down and battered. U.S. stocks had their worst week since March, after earnings from the biggest tech companies disappointed investors, COVID cases surged in the U.S. and Europe, and U.S. stimulus negotiations broke off until after the election. Volatility spiked, with the VIX index up nearly +50% from last week. Treasury yields were higher as bond prices declined for the second straight week. Oil slumped to a 5-month low as markets priced-in lower future demand from rising COVID restrictions, especially in Europe. All this overshadowed a sharp rebound in the U.S. economy and, outside large technology firms, better-than-expected corporate earnings. As detailed on the next page, U.S. GDP growth for the third quarter came in at a record +33.1% annualized rate. On the earnings front, about two-thirds of S&P 500 Index firms have reported for Q3-2020, and blended earnings (the combined reported data with estimates for those that have not reported) shows growth is running at -9.8%. Thus far, about 86% of the companies reporting have exceeded expectations by about +20% on average, also near record levels.

Digits & Did You Knows

NO BOSS - 20% of American workers between the ages of 18-49 are self-employed. 46% of American workers between the ages of 65-69 are self-employed (source: National Bureau of Economic Research, September 2019).

FAKE NEWS - This week in 1822, in the heat of the earliest frenzy for investing in emerging markets, the 6% bonds of the Kingdom of Poyais, near Nicaragua, traded at 81.5% of their par value on the London Stock Exchange, just behind Chile, at 84% of par. Unfortunately, Poyais was a fictitious country fabricated by a Scottish scamster, Gregor MacGregor, and the bonds soon turned out to be worthless (source: The Wall Street Journal).

Market Snapshot	Index Level	1-week Price Return	2020 Price Return
EQUITIES			
S&P 500	3,269.96	-5.64%	+1.21%
Nasdaq Composite	10,911.59	-5.51%	+21.61%
Russell 2000	1,538.48	-6.22%	-7.79%
Nikkei-225 (Japan)	22,977.13	-2.29%	-2.87%
STOXX Europe 600	342.36	-5.56%	-17.67%
RATES			
2-Year UST Note	0.15	0 bps	-142 bps
10-Year UST Note	0.87	3 bps	-105 bps

QUALIFIED PLAN ADVISORS

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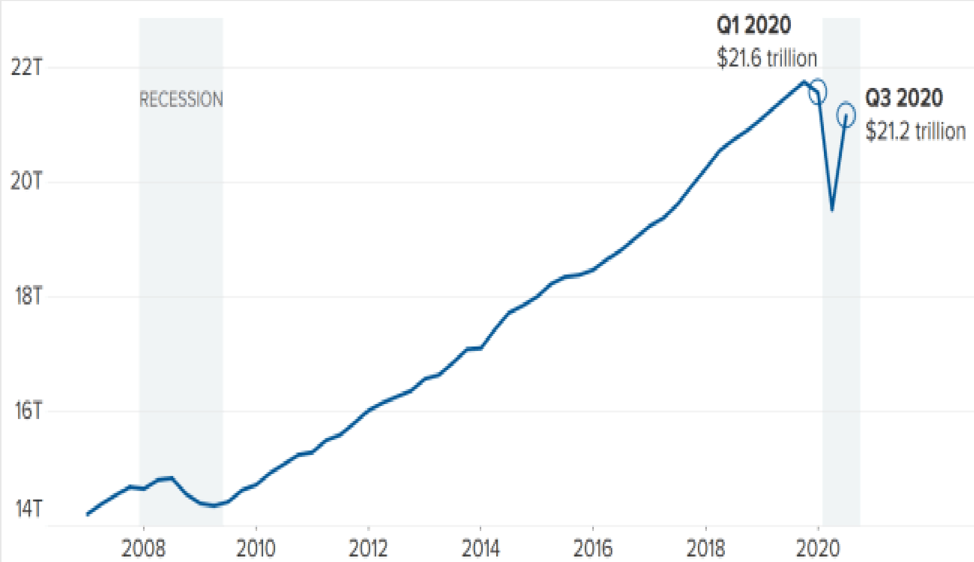
Chart of the Week

Economists expected a massive rebound in economic growth for the third quarter and they got one that was better than they forecasted. The Bureau of Economic Analysis' advance estimate of third-quarter U.S. real gross domestic product (GDP) grew at an annualized rate of +33.1% in the quarter, exceeding a Dow Jones estimate of +32%. That is the fastest pace of economic expansion on record in the U.S. A burst in business and residential investment combined with stronger consumer activity helped the economy after its worst-ever quarter in second quarter, a contraction at a -31.4% annualized rate. The previous post-World War II record was the +16.7% annualized surge in the first quarter of 1950. Personal consumption surged +40.7%.

U.S. gross domestic product (GDP)

Total value in current U.S. dollars, seasonally adjusted



Source: Bureau of Economic Analysis, CNBC.
Note: Data is seasonally adjusted.

Economic Rundown

- **New Home Sales** fell for the first time in four months, slipping -3.5% in September to a 959,000 unit annual rate. Prior month sales were revised down by -17,000. **Pending Home Sales** fell -2.2% in September versus expectations for a +3.3%, but were up +20.5% from last year, near its fastest rise since April 2010.
- The September **Chicago Fed National Activity Index (CFNAI)** fell -0.84 points to 0.27, its lowest level in five months. The 3-month moving average fell to 1.33 from 3.22, still a strong reading, but the least in three months.
- September **Durable Goods Orders** rose +1.9%, the fifth straight gain, and ahead of forecasts. On a year-over-year basis orders were off -3.7%.
- The Conference Board **Consumer Confidence Index** slipped -0.4 points in October to 100.9, under the consensus of 102.3.
- September **Personal Income** was stronger than expected, up +0.9%, and **Personal Consumption Expenditures (PCE)** up +1.4%. Both made their fifth consecutive gains.
- **Consumer Sentiment** was up modestly (+0.6) in October.
- **Initial Jobless Claims** fell 40,000 to 751,000 last week, below consensus. Continuing claims fell sharply to just over 7.756 million. Both were the lowest since March.
- Existing home prices continue to strengthen with the **S&P CoreLogic Case-Shiller National Home Price Index** jumped 1.0% in August, the most since April 2013. The **FHFA Purchase-Only House Price Index** surged a record +1.5%, and was up 8.0% y/y, the most since March 2006.

The Week Ahead

Monday	• ISM and Markit Manufacturing PMIs • Construction Spending
Tuesday	• Factory and Durable Goods Orders
Wednesday	• MBA Mortgage Applications • ADP Employment Change • ISM and Markit Services PMIs
Thursday	• Jobless Claims • FOMC Rate Decision
Friday	• Employment Report

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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	U.S. Bonds 0.14	Large Growth 0.52	U.S. Bonds -0.14	Small Value 1.63	High Yield Bond 0.22	U.S. Bonds -0.23	High
	Intl Bonds -0.47	Emg Markets 0.44	Intl Bonds -0.75	Real Estate 1.52	Large Value 0.00	High Yield Bond -1.17	
	High Yield Bond -0.88	U.S. Bonds 0.23	High Yield Bond -0.83	Mid Value 1.30	U.S. Bonds -0.27	Intl Bonds -2.06	
	60/40 Allocation -1.11	Intl Bonds 0.22	60/40 Allocation -1.94	Large Growth 1.21	Mid Value -0.46	60/40 Allocation -3.45	
	Real Estate -1.27	Mid Growth 0.07	Real Estate -2.45	Emg Markets 1.01	Intl Equity -0.52	Emg Markets -3.48	
	Emg Markets -1.30	High Yield Bond 0.05	Emg Markets -2.50	Small Growth 0.78	Intl Bonds -0.56	Real Estate -4.32	
	Large Growth -1.61	Small Growth 0.01	Mid Growth -2.72	Large Value 0.77	60/40 Allocation -0.65	Large Value -5.38	
	Mid Growth -1.72	60/40 Allocation -0.27	Small Growth -2.87	60/40 Allocation 0.47	Real Estate -0.68	Intl Equity -5.52	
	Intl Equity -1.80	Intl Equity -0.78	Mid Value -2.89	Intl Equity 0.47	Small Value -0.78	Mid Value -5.65	
	Small Growth -1.95	Large Value -1.26	Large Value -2.91	Mid Growth 0.39	Emg Markets -1.13	Mid Growth -5.73	
	Large Value -2.06	Mid Value -1.31	Intl Equity -2.99	High Yield Bond 0.29	Mid Growth -1.85	Small Growth -5.83	
	Mid Value -2.36	Real Estate -1.48	Small Value -3.36	U.S. Bonds -0.18	Small Growth -1.89	Large Growth -5.87	
Low	Small Value -2.47	Small Value -1.78	Large Growth -3.75	Intl Bonds -0.53	Large Growth -2.29	Small Value -6.65	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.