WEEK IN REVIEW

November 6, 2020

The Bottom Line

- Stocks had their best week since April, with most major indices up +7% or more. That leaves them just below their September all-time highs.
- Votes are still being counted in several states, and several legal battles have been initiated, but Joe Biden is well positioned to win the presidency. However, it was a much tighter race than most polls and betting markets predicted, with Republicans likely to retain the Senate and Democrats situated to retain the House.
- The October employment report was much stronger than expected as the U.S. economy added 638,000 jobs and the unemployment rate fell to 6.9%.

Stocks have best week since April

After having their worst week since March last week, this week stocks had their best week since April 10, despite losing ground on Friday. The S&P 500 gained +7.3% and the Nasdaq was up +9.0%, which put both the indices within 2% of their early September all-time highs. In fact, all major asset classes were up, with U.S. bonds pulling up the rear with a 0.5% gain. It was the best week for European stocks since June, Chinese stocks since July, and Japanese stocks since May. The outcome of the 2020 elections remained the biggest story of the week. The presidential results are still undecided with votes still being counted in several states. But investors seemed to be relieved that divided government would result. Joe Biden appears well positioned to become the 46th President of the United States, but with a Republican Senate and a Democratic House (though with fewer seats as Republicans will likely gain 5-10). As a result, sweeping overhauls of the tax code and regulations is less likely. Markets were also buoyed by Senate Majority Leader Mitch McConnell signaling willingness to consider additional stimulus on Wednesday, while Federal Reserve Chair Jerome Powell hinted at more monetary support on Thursday.

Digits & Did You Knows

BAD, BUT NOT THAT BAD - The 3/27/20 CARES Act included $139 billion of relief for the 50 US states. From 2/29/20 to 8/31/20, the tax revenue collected by all US states is down $30 billion over the same 6-month period from a year earlier. When the CARES Act was being debated in Congress, US governors requested financial support of $500 billion from law makers (source: National Governors Association, BTN Research).

WORK FROM HOME - 65% of Americans surveyed in late June 2020 have internet capabilities that are fast enough to support workable video conferencing (source: Stanford Institute for Economic Policy Research, BTN Research).

Market Snapshot	Index Level	1-week Price Return	2020 Price Return
EQUITIES			
S&P 500	3,509.44	**+7.32%**	**+8.63%**
Nasdaq Composite	11,895.23	**+9.01%**	**+32.57%**
Russell 2000	1,644.16	**+6.87%**	**-1.46%**
Nikkei-225 (Japan)	24,325.23	**+5.87%**	**+2.83%**
STOXX Europe 600	366.40	**+7.02%**	**-11.89%**
RATES			
2-Year UST Note	0.15	0 bps	-142 bps
10-Year UST Note	0.82	-6 bps	-110 bps

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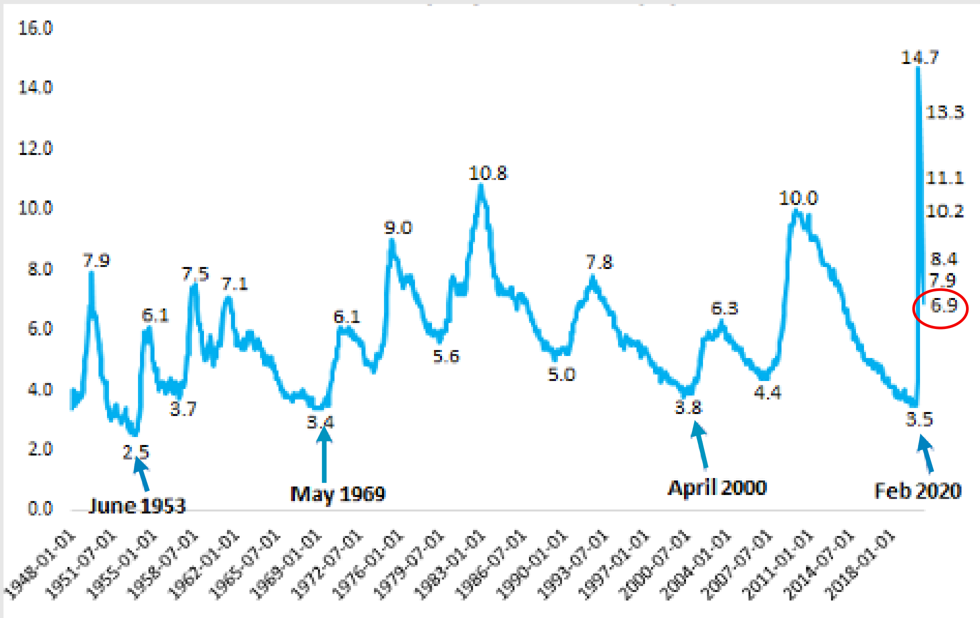
Chart of the Week

The U.S. economy added 638,000 jobs in October and the unemployment rate fell to 6.9% from 7.9% in September, signs that the labor market continues to heal. It was an especially encouraging jobs report given that it easily exceeded expectations at a time when coronavirus infections were steadily rising and Congress was unable to pass a new stimulus package. The improvement was robust with unemployment falling across all major gender and racial lines. Importantly, private-sector payrolls rose 906,000, easily beating the consensus expectation for 680,000. The job market has now recovered 12.1 million of the 22 million jobs lost in March and April, when the shutdown of businesses led to the highest post-World War II jobless rate of 14.7%.

U.S. Labor Market Continues to Heal

U.S. Unemployment Rate (%)



Source: Bureau of Labor Statistics, WSJ, Compound Capital

Economic Rundown

- The October **ISM Manufacturing PMI** beat expectations with a jump of +3.9 points to 59.3, its highest level since September 2018. 15 of the 18 industries advanced. Separately the **Markit Manufacturing PMI** gained +0.2 points to 53.4, its best level since January 2019.
- The **ISM Non-Manufacturing Index (NMI)** fell -1.2 points in October to 56.6, below the consensus of 57.5. Still it was the fifth consecutive month of expansion, just at a slower pace. Separately, and in contrast to the ISM, the **Markit U.S. Services PMI** increased +2.3 points in October to 56.9, its highest level since April 2015, indicating a significant upturn in business activity.
- September **Construction Spending** was up +0.3%, below expectations for +1.0% and the least in four months. On a year-over-year basis, construction spending fell to 1.5%, as the public sector spending shrank -1.3%, the most since June 2017.
- **Factory Orders** beat expectations with an increase +1.1% in September, its fifth consecutive monthly gain. **Durable Goods Orders** rose +1.9%, in line of the advance estimate.
- **Initial Jobless Claims** fell 7,000 to 751,000 last week, above the consensus of 741,000. Continuing claims fell 538,000 to just over 7.285 million.
- Federal Reserve officials didn't announce new policy measures at the conclusion of their two-day meeting Thursday. Fed Chairman Powell said there were two prominent risks to economic activity they are monitoring: rising COVID infections and households exhausting savings after earlier fiscal relief measures had dissipated.

The Week Ahead

Monday	• n/a
Tuesday	• NFIB Small Business Optimism Index • JOLTs Job Openings
Wednesday	• MBA Mortgage Applications
Thursday	• Jobless Claims • Consumer Inflation (CPI) • Monthly Budget Statement
Friday	• Producer Inflation (PPI) • U. of Michigan Consumer Sentiment

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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	Real Estate 2.52	Small Growth 3.01	Large Growth 4.37	Small Value 3.17	Intl Bonds 0.63	Mid Growth 9.69	High
	Mid Value 2.44	Small Value 2.74	Mid Growth 3.64	Small Growth 2.81	Mid Growth 0.59	Large Growth 9.37	
	Small Value 2.43	Intl Equity 2.62	Emg Markets 3.14	Intl Equity 2.40	Emg Markets 0.46	Small Growth 8.72	
	Large Value 1.87	Mid Growth 2.23	Small Growth 1.90	Large Growth 2.28	Intl Equity 0.21	Intl Equity 7.85	
	Small Growth 1.39	Mid Value 1.96	60/40 Allocation 1.12	Mid Growth 2.21	Large Growth 0.10	Emg Markets 7.20	
	Intl Equity 1.30	Real Estate 1.93	Intl Equity 1.10	Mid Value 2.12	60/40 Allocation -0.08	Mid Value 5.44	
	Emg Markets 1.27	Large Value 1.88	High Yield Bond 0.94	Large Value 1.73	Large Value -0.15	Large Value 5.40	
	60/40 Allocation 0.95	Large Growth 1.77	U.S. Bonds 0.67	Emg Markets 1.71	U.S. Bonds -0.22	Small Value 4.85	
	Mid Growth 0.70	60/40 Allocation 1.28	Intl Bonds 0.31	60/40 Allocation 1.37	High Yield Bond -0.35	60/40 Allocation 4.75	
	Large Growth 0.57	High Yield Bond 0.86	Real Estate 0.21	Intl Bonds 0.97	Mid Value -0.42	Real Estate 4.45	
	High Yield Bond 0.24	Intl Bonds 0.70	Large Value -0.02	High Yield Bond 0.35	Real Estate -0.57	Intl Bonds 2.70	
	U.S. Bonds 0.18	Emg Markets 0.44	Mid Value -0.73	Real Estate 0.32	Small Growth -0.65	High Yield Bond 2.05	
Low	Intl Bonds 0.06	U.S. Bonds -0.04	Small Value -2.09	U.S. Bonds 0.09	Small Value -1.35	U.S. Bonds 0.68	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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