

# WEEK IN REVIEW



November 13, 2020

## The Bottom Line

- The S&P 500 and Dow were up for the second week in a row, but it was small cap stocks that topped the leaderboard for the second straight week. After delivering +6.9% last week, the Russell 2000 small cap index added another +6.1% this week.
- Promising news of a potential COVID-19 vaccine helped Value oriented stocks trounce Growth stocks. But with cases surging both in the U.S. and abroad, many are wondering if this is just another Value head-fake.
- The yield on the benchmark 10-year U.S. Treasury ended the week at 0.90, its highest weekly close since the week of March 13 when it closed at 0.96.

## Stocks pull a small (cap) plot twist

U.S. stock indices hit all-time highs, but instead of the S&P 500 and Nasdaq Composite, which have been the leaders most of the year, it was the S&P 500 and the Russell 2000 setting records. The week opened with markets soaring on news of Pfizer's highly effective COVID-19 vaccine study. Long-underperforming value stocks shot higher, while growth stocks fell. The Russell 2000 small cap index surged +3.7% Monday on their way to a +6.1% gain for the week – which follows a +6.9% gain last week. This week was the first new high for small caps since August 2018. The tech-heavy Nasdaq actually fell -0.6% for the week, as companies that had benefited from the stay-at-home trade since the March lockdowns lagged. Monday's surge actually reversed mid-week as a swell of coronavirus cases brought fears on new restrictions, or even a return to lockdowns. But Friday saw optimism return as stocks climbed back to record levels. Stocks were also helped by the continued outperformance of corporate earnings. With 92% of S&P 500 firms having reported for Q3-2020, earnings growth is running at -7.1%, much better than the -21% drop expected back in October. About 89% of companies reporting have beat expectations.

## Digits & Did You Knows

**SLOW MOTION** - The “velocity of money” in the U.S. was 1.104 in the 2nd quarter 2020, the lowest ever recorded. The highest “velocity of money” level was 2.198 in the 3rd quarter 1997. “Velocity of money” measures the rate that money is exchanged in our economy for goods and services. It has steadily fallen for the last 14 years as more Americans have paid off debt or saved cash instead of spending money (source: Federal Reserve Bank of St. Louis, BTN Research).

**EVERY DOG DOW HAS ITS DAY WEEK** - The Dow Jones Industrial Average beat the technology-heavy Nasdaq by +4.6 percentage points this week, the largest weekly performance advantage since July 2002 (source: Bloomberg).

Market Snapshot	Index Level	1-week Price Return	2020 Price Return
<b>EQUITIES</b>			
S&P 500	3,585.15	+2.16%	+10.97%
Nasdaq Composite	11,829.29	-0.55%	+31.84%
Russell 2000	1,744.04	+6.08%	+4.53%
Nikkei-225 (Japan)	25,385.87	+4.36%	+7.31%
STOXX Europe 600	385.18	+5.13%	-7.37%
<b>RATES</b>			
2-Year UST Note	0.18	2 bps	-139 bps
10-Year UST Note	0.90	8 bps	-102 bps



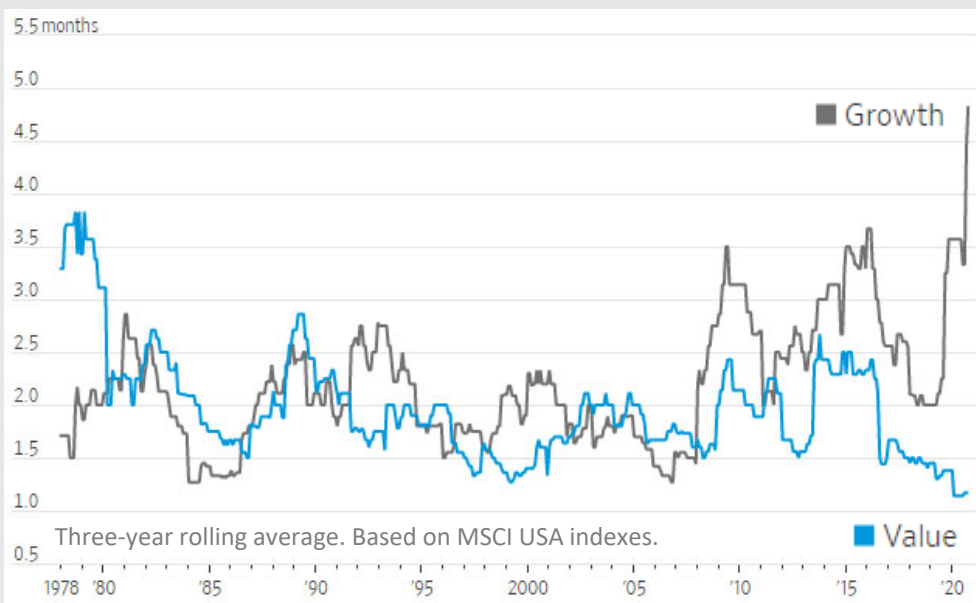
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### Chart of the Week

Is this week yet another head-fake in the reflation / value trade? On Monday, news of a potential Covid-19 vaccine sent stocks and Treasury yields sharply higher (yields move in the opposite direction of bond prices). The benchmark 10-year Treasury yield soared as high as 0.97%, the highest its has been since mid-March. Higher yields helped fuel financials stocks to their best weekly return since June 5, up +8.6%. With financials as the largest sector weighting in most value indices, the Russell 3000 Value Index had its best weekly outperformance over the Russell 3000 Growth Index since November 2000. However, for the last decade Growth has dominated Value. As shown to the right, Value remains near historical lows in relative performance.

### Rotations into Value have been short lived

Average number of months that the factors outperformed the broad index



Source: FactSet, The Wall Street Journal. Data as of October 30, 2020.

### Economic Rundown

- The October **NFIB Small Business Optimism Index** matched September, 104.0, which is its best level since February. One concern is that uncertainty about future business conditions hit its highest point since 2016, reflecting worry about the election and the pandemic.
- **Job openings** are rising back toward their pre-pandemic levels. The September JOLTS report showed that the number of job openings edged up +1.3% to 6.4 million, the fourth gain in the past five months.
- October **Consumer Price Index (CPI)** inflation held steady from September's level. Both CPI and core CPI fell on a year-over-year basis. A big question will be whether the vaccine news this week will spur inflation or whether the resurgence in COVID-19 cases will suppress it. The **Producer Price Index (PPI)** increased +0.3%, its sixth gain in a row. Food and energy prices led the increase. Year-over-year, PPI was up +0.5%.
- The preliminary November **Reuters/U. of Michigan Consumer Sentiment Index** fell -4.8 points to 77, a 3-month low in the survey. It was the first read on sentiment since President-elect Joe Biden's victory.

- **Initial Jobless Claims** fell 48,000 to 709,000 last week, better than consensus of 740,000. Continuing claims fell 436,000 to just over 6.786 million.

### The Week Ahead

Monday	<ul style="list-style-type: none"> <li>• Empire State (NY) Manufacturing</li> </ul>
Tuesday	<ul style="list-style-type: none"> <li>• Retail Sales</li> <li>• Import / Export Prices</li> <li>• Industrial Production, Capacity Utilization</li> <li>• NAHB Housing Market Index</li> </ul>
Wednesday	<ul style="list-style-type: none"> <li>• MBA Mortgage Applications</li> <li>• Building Permits</li> <li>• Housing Starts</li> </ul>
Thursday	<ul style="list-style-type: none"> <li>• Jobless Claims</li> <li>• Philadelphia Fed Business Outlook</li> <li>• Conf Bd Leading Economic Index (LEI)</li> <li>• Existing Home Sales</li> <li>• Kansas City Fed Manufacturing Activity</li> </ul>
Friday	<ul style="list-style-type: none"> <li>• n/a</li> </ul>



**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 Value 6.99	Small Value 2.68	Mid Growth 2.03	U.S. Bonds 0.42	Small Value 2.82	Small Value 9.23	High
	Mid Value 4.44	Mid Value 1.17	Large Growth 1.87	Intl Bonds 0.36	Real Estate 2.61	Real Estate 6.15	
	Large Value 4.15	Large Value 1.15	Small Growth 1.18	Mid Growth -0.55	Mid Value 2.48	Mid Value 5.97	
	Intl Equity 2.92	Real Estate 1.12	Intl Equity 0.84	Large Growth -0.58	Large Value 1.95	Large Value 5.68	
	Real Estate 2.89	Intl Equity 0.90	Emg Markets 0.65	60/40 Allocation -0.61	Intl Equity 1.54	Intl Equity 4.77	
	60/40 Allocation 1.20	Small Growth 0.87	Real Estate 0.64	High Yield Bond -0.68	Small Growth 1.47	Small Growth 3.44	
	Small Growth 0.98	60/40 Allocation 0.17	60/40 Allocation 0.37	Emg Markets -0.75	Emg Markets 1.41	60/40 Allocation 2.15	
	High Yield Bond 0.76	Intl Bonds -0.08	U.S. Bonds 0.06	Small Growth -1.08	60/40 Allocation 1.01	Emg Markets 0.83	
	Emg Markets 0.69	High Yield Bond -0.14	High Yield Bond -0.04	Real Estate -1.20	Large Growth 0.76	High Yield Bond 0.25	
	U.S. Bonds -0.47	U.S. Bonds -0.16	Intl Bonds -0.25	Large Value -1.30	Mid Growth 0.68	U.S. Bonds -0.14	
	Intl Bonds -0.58	Emg Markets -1.14	Large Value -0.30	Intl Equity -1.46	High Yield Bond 0.34	Intl Bonds -0.38	
	Large Growth -1.72	Mid Growth -1.43	Mid Value -0.43	Mid Value -1.71	Intl Bonds 0.17	Large Growth -1.18	
Low	Mid Growth -2.25	Large Growth -1.46	Small Value -1.25	Small Value -2.08	U.S. Bonds 0.02	Mid Growth -1.57	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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