

WEEK IN REVIEW



November 20, 2020

The Bottom Line

- The S&P 500 and Dow couldn't advance for a third week in a row, but small cap stocks were able to extend their streak to three. The Russell 2000 small cap index has gained about +16% in November.
- For the second week in a row, markets opened on news of a promising new vaccine, only to fade as the week wore on after new coronavirus cases in the U.S. continued to surge and new lockdown measures were announced by various state and local officials.
- U.S. home sales and prices remain on the rise, fueled by ultra-low rates and severe shortages in supply. Home sales were at 14-year highs while prices hit all-time highs.

Did vaccine euphoria run its course?

U.S. stock were mixed as the S&P 500 large cap index broke its two week win streak, while the Russell 2000 small cap index managed a third straight weekly gain. November is on pace for the biggest outperformance of small cap stocks over large cap stocks, currently +6.4 percentage points better, since November 2016 when small caps were +7.4 percentage points better. Like the prior week, this week began with news of another promising Covid-19 vaccine which sent stocks higher. But as the week wore on, gloomy coronavirus news and new state lockdown measures weighed on stocks. Retail sales rose by the least amount in six months, since the initial lockdowns six months ago. New York City announced that the country's largest school system was moving to remote learning. By Thursday, California issued a "limited Stay at Home Order" for a majority of its residents. The CDC also advised Americans against traveling for Thanksgiving. Even Wall Street is starting to sour from the Covid surge. On Friday JPMorgan economists warned that the U.S. economy may contract by -1% in the first quarter of 2021. Assessing the likelihood for mass vaccinations in 2021 figures to be a central theme for 2021 outlooks due in the coming months.

Digits & Did You Knows

MANY CAN'T WAIT - An American worker may begin receiving a monthly Social Security retirement benefit as early as age 62, albeit at a reduced level from what is available at one's "full retirement age." Just under 50% of American "blue-collar" workers take their retirement benefits at age 62, while only 38% of "white-collar" workers begin their retirement benefits early (source: Center for Financial Security, December 2019, BTN Research).

NOT COMING BACK - In the 6 months from 2/29/20 to 8/31/20, 163,735 US businesses have closed their doors, including 97,966 businesses (60%) that are likely closed for good (source: Yelp Economic Average, BTN Research).

Market Snapshot	Index Level	1-week Price Return	2020 Price Return
EQUITIES			
S&P 500	3,557.54	-0.77%	+10.11%
Nasdaq Composite	11,854.97	+0.22%	+32.12%
Russell 2000	1,785.34	+2.37%	+7.00%
Nikkei-225 (Japan)	25,527.37	+0.56%	+7.91%
STOXX Europe 600	389.61	+1.15%	-6.31%
RATES			
2-Year UST Note	0.16	-2 bps	-141 bps
10-Year UST Note	0.82	-7 bps	-109 bps



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Chart of the Week

October U.S. **Existing Home Sales** rose to a 14-year high as ultra low borrowing costs fueled demand. Existing home sales increased +4.3% to a 6.85 million unit annual rate, beating expectations. October's gains marked the fifth straight monthly increase and one of the best stretches for the housing market in years. A severe shortage of homes for sale is boosting demand for newly built housing, which could spur more hiring and spending by home builders. The shortage in supply and surge in demand are pushing home prices to record levels. The November **NAHB/Wells Fargo Housing Market Index (HMI)** rose for the seventh straight time to a new all-time high. In fact, all four regions hit record highs and all index components rose.

Home Buying Bonanza

U.S. existing-home sales, Seasonally adjusted annual rate



Source: National Association of Realtors, The Wall Street Journal.

Economic Rundown

- The **Empire State (NY) General Business Conditions Index** fell -4.2 points in November to 6.3, as factory activity in the region expanded for the fifth consecutive month, but at a slower pace.
- October **Retail Sales** disappointed with a rise of just +0.3%, the least amount in six months. The slowdown coincides with a sharp rise of cases worrying many that the economy will suffer another setback until vaccinations become widespread.
- **Industrial Production** rose +1.1% in October, beating expectations, but remains -5.6% points below pre-pandemic levels. **Capacity Utilization** also beat forecasts, rising to 72.8%, but is down -4.1% points from February.
- October **Housing Starts** rose +4.9% to a 1.526 million unit annual rate, up in five of the last six months, and above forecasts of 2.5%. Single-family starts climbed 6.4% to a 1.179 million unit rate, the highest level since April 2007.
- The **Conference Board's Leading Economic Index (LEI)** matched expectations with a +0.7% gain in October, the sixth straight gain, but it was the smallest of that stretch.

- **Initial Jobless Claims** rose 31,000 to 742,000 last week, above consensus of 740,000, and the first rise in five weeks. Continuing claims fell 429,000 to 6.372 million.

The Week Ahead

Monday	<ul style="list-style-type: none"> • Chicago Fed Nat Activity Index (CFNAI) • Markit US PMIs
Tuesday	<ul style="list-style-type: none"> • FHFA House Price Index (HPI) • S&P CoreLogic CS Home Price Index (HPI) • Conf. Board Consumer Confidence • Richmond Fed Manufact. Index
Wednesday	<ul style="list-style-type: none"> • MBA Mortgage Applications • Jobless Claims • Gross Domestic Product (GDP) • Durable Goods Orders • Personal Income & Spending • U. of Mich. Sentiment • New Home Sales
Thursday	<ul style="list-style-type: none"> • Thanksgiving
Friday	<ul style="list-style-type: none"> • n/a

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 3.40	Small Growth 0.63	U.S. Bonds 0.07	Mid Growth 1.51	Emg Markets 0.55	Small Value 2.57	High
	Mid Value 2.30	Intl Bonds 0.28	Intl Bonds 0.02	Small Growth 0.97	Small Growth 0.53	Small Growth 2.02	
	Large Value 1.88	Small Value 0.25	High Yield Bond -0.19	Intl Equity 0.70	Intl Equity 0.30	Mid Growth 1.59	
	Small Growth 1.35	U.S. Bonds 0.20	Emg Markets -0.35	Large Growth 0.66	Mid Growth 0.22	Emg Markets 1.51	
	Emg Markets 1.24	Mid Growth 0.19	60/40 Allocation -0.52	Mid Value 0.54	U.S. Bonds 0.10	Intl Equity 1.41	
	Intl Equity 1.04	Real Estate 0.08	Intl Equity -0.53	Small Value 0.52	60/40 Allocation -0.01	Mid Value 0.98	
	60/40 Allocation 0.84	High Yield Bond 0.03	Large Growth -0.92	Intl Bonds 0.46	Intl Bonds -0.08	Intl Bonds 0.82	
	Real Estate 0.81	60/40 Allocation 0.01	Mid Growth -1.08	60/40 Allocation 0.43	High Yield Bond -0.19	60/40 Allocation 0.74	
	Mid Growth 0.77	Intl Equity -0.10	Large Value -1.16	High Yield Bond 0.34	Small Value -0.29	High Yield Bond 0.56	
	High Yield Bond 0.56	Emg Markets -0.10	Small Value -1.28	Large Value 0.28	Mid Value -0.32	U.S. Bonds 0.55	
	Large Growth 0.53	Large Growth -0.18	Mid Value -1.30	Real Estate 0.20	Large Value -0.43	Large Value 0.12	
	Intl Bonds 0.15	Mid Value -0.21	Small Growth -1.45	U.S. Bonds 0.19	Real Estate -0.47	Large Growth -0.46	
Low	U.S. Bonds -0.01	Large Value -0.42	Real Estate -1.80	Emg Markets 0.16	Large Growth -0.55	Real Estate -1.19	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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