WEEK IN REVIEW

April 9, 2021

The Bottom Line

- The S&P 500 and Dow Jones Industrial Average both ended the week at new record highs. The gains came as markets got hotter-than-expected data on producer price inflation, and as Treasuries came under pressure, with yields paring back from recent highs.
- Following eight straight weeks of increases, the yield on the 10-year U.S. Treasury bond fell one basis point each of the last two weeks, ending Friday at 1.66%.
- Economic activity in the services sector continued to improve from the pandemic as seen by the March ISM Non-Manufacturing Index (NMI), which easily beat expectations and surged to a record high of 63.7.

Another week brings more records

The S&P 500 and Dow Jones Industrial Average surged to records to begin the week on strong services PMI data and finished the week at record highs supported by signs of continued economic momentum. Minutes from the March Federal Open Market Committees (FOMC) meeting highlighted an economic outlook that had brightened considerably since January. More and more states are lifting COVID restrictions, including California which plans to lift most restrictions by mid June if hospitalization rates remain stable and vaccine supplies remain plentiful. The flurry of record highs has helped push down volatility, with the CBOE Volatility Index (VIX) falling to 16.7, the lowest level since February 2020, and has been under the 20 threshold for eight straight trading days. Unlike the advances in much of the first quarter, the recent market gains have seen strength in technology stocks that have regained some footing as yields have taken a pause from their ascent. After rising for eight consecutive weeks, the 10-year U.S. Treasury yield has backed off a bit over the last two weeks. The U.S. dollar also pulled back on the week and oil prices were lower as well.

Digits & Did You Knows

STOCKS — In the last 30 years, the best 12-month performance for the S&P 500 occurred over the 1-year period that ended last Wednesday 3/31/21. The S&P 500 gained +56.4% (total return including dividends) from 3/31/20 to 3/31/21 (source: Bloomberg, BTN Research).

BONDS — Long-dated Treasuries lost -15.80% (total return) over the 1-year ending 3/31/21, the second largest 1-year loss ever for the Bloomberg Barclays Long U.S. Treasury Bond Index, which includes all Treasury securities with a remaining maturity of at least 10 years and having at least $250 million of outstanding face value. The largest loss was -15.83% on 3/31/80 (source: Bloomberg, BTN Research).

Market Snapshot	Index Level	1-week Price Return	2021 Price Return
EQUITIES			
S&P 500	4,128.80	**+2.71%**	**+9.92%**
Nasdaq Composite	13,900.19	**+3.12%**	**+7.85%**
Russell 2000	2,243.47	**-0.46%**	**+13.60%**
Nikkei-225 (Japan)	29,768.06	**-0.29%**	**+8.47%**
STOXX Europe 600	437.23	**+1.16%**	**+9.57%**
RATES			
2-Year UST Note	0.15	0 bps	3 bps
10-Year UST Note	1.66	-1 bps	75 bps

QUALIFIED PLAN ADVISORS

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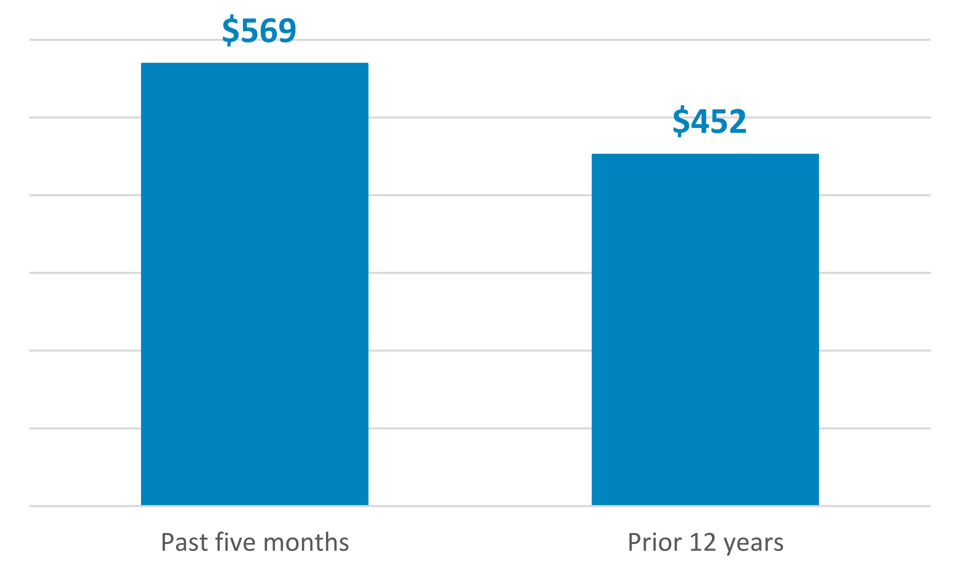
Chart of the Week

More money has gone into global equity funds over the past five months than in the previous 12 years combined, helping to fuel strong market gains, as COVID restrictions continue to be lifted and economic enthusiasm swells. According to Bank of America, global equity funds saw $569 billion in inflows since November, more than the $452 billion going back to the beginning of the 2009-20 bull market run. That has come amid a 26% rise in the Dow Jones Industrial Average and 40% increase in trading volume for the first quarter of 2021 compared to the final three months of 2020. The flows are supporting stock valuations as the S&P 500 trades at 20.4 times forward earnings. That is actually below the 22.8 multiple at the end of 2020 as earnings estimates continue to rise.

Equity inflows over the last 5 months exceed the past 12 years

Inflows to global equity funds ($ Billions)



Source: Bank of America Global Investment Strategy, EPFR Global, CNBC.

Economic Rundown

- Services activity surged in March as the **ISM Non-Manufacturing Index (NMI)** easily beat expectations of 59.2, jumping +8.4 points to 63.7, a record high and the second largest increase since data started in 1997. The separate **Markit Services PMI** also beat forecasts rising +0.6 points to 60.4, its highest level since July 2014.
- The **Job Openings & Labor Turnover Survey (JOLTS)** was consistent with other positive labor market reports lately with job openings up +3.8% in February to 7.367 million, its fourth increase the past six months, and the highest level since January 2019. The number of unemployed per job opening fell to 1.43 to 1.35 from, its lowest level in almost a year, and down from a peak of 4.99 last spring.
- The March **Producer Price Index (PPI)** for final demand was twice as high as expectations, up +1.0%, the second biggest increase since data began in December 2009. Core PPI, which excludes food and energy, was up +0.7%, also the second most on record. Compared to last year PPI was up +4.2%, the fastest rise since September 2011, and core PPI was up +3.1%, its biggest annual increase on record. This signals CPI is also likely to jump on Tuesday.
- **Initial Jobless Claims** rose +16,000 last week to 744,000, above expectations of 690,000, and up in 3 of the last 4 weeks. **Continuing Claims** fell -16,000 to 3.734 million.

The Week Ahead

Monday	• Monthly Budget Statement
Tuesday	• NFIB Small Business Optimism • Consumer Price Index (CPI)
Wednesday	• MBA Mortgage Applications • Import and Export Prices • Federal Reserve Beige Book
Thursday	• Weekly Jobless Claims • Retail Sales Advance • NY State Empire Manufacturing • Philadelphia Fed Business Outlook • Industrial Production & Capacity Utilization • NAHB Housing Market Index
Friday	• Housing Starts & Building Permits • 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	Large Growth 1.73	Mid Growth 0.80	Large Growth 0.23	Mid Growth 1.46	Large Growth 0.86	Large Growth 4.01	High
	Intl Equity 1.46	Emg Markets 0.55	Intl Equity 0.21	Small Growth 1.22	Large Value 0.49	Mid Growth 2.31	
	Large Value 0.88	U.S. Bonds 0.35	Intl Bonds 0.06	Large Growth 1.07	Mid Value 0.43	Intl Equity 1.47	
	Mid Value 0.73	Intl Bonds 0.33	Real Estate 0.00	Emg Markets 0.82	Mid Growth 0.39	Large Value 1.29	
	Small Growth 0.67	Real Estate 0.27	High Yield Bond -0.03	Intl Equity 0.57	Intl Equity 0.31	Mid Value 1.09	
	60/40 Allocation 0.60	Mid Value 0.22	U.S. Bonds -0.16	Intl Bonds 0.47	Small Value 0.16	60/40 Allocation 0.91	
	Mid Growth 0.56	High Yield Bond 0.17	Large Value -0.20	Small Value 0.46	60/40 Allocation 0.10	Intl Bonds 0.87	
	Small Value 0.48	Large Value 0.07	60/40 Allocation -0.23	60/40 Allocation 0.44	Real Estate -0.01	Real Estate 0.41	
	Intl Bonds 0.42	Large Growth 0.07	Mid Value -0.38	U.S. Bonds 0.25	High Yield Bond -0.07	High Yield Bond 0.15	
	Real Estate 0.40	60/40 Allocation 0.01	Mid Growth -0.90	Mid Value 0.08	U.S. Bonds -0.11	U.S. Bonds 0.12	
	Emg Markets 0.39	Small Growth -0.29	Small Value -1.16	Large Value 0.05	Small Growth -0.19	Small Value -0.42	
	High Yield Bond 0.05	Small Value -0.33	Emg Markets -1.47	High Yield Bond 0.03	Intl Bonds -0.40	Emg Markets -0.58	
Low	U.S. Bonds -0.20	Intl Equity -1.06	Small Growth -2.04	Real Estate -0.24	Emg Markets -0.85	Small Growth -0.66	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, 31% International Stock, 7% Emerging Markets, 3% Real Estate.