WEEK IN REVIEW

September 3, 2021

The Bottom Line

- Domestic equities posted another week of gains but lost some momentum after a disappointing payroll release. European equities faltered on political news out of Germany, while Japanese equities rallied around their own political news.
- Treasury yields fell on the shorter-end with the 2-Year falling -1bps, but the longer-end rose slightly with the 10-Year gaining +1bps.
- Economic news for the week painted a blurry picture with the housing market showing signs of cooling, solid manufacturing that is being stifled by labor and parts shortages, and a gigantic miss on payroll numbers.

Is Growth Slowing?

For most of the week, equity markets were able to grind higher, but started to lose their footing after payroll numbers posted a massive disappointment. Despite this falter, domestic equities were all in the green with the S&P up +0.58%, the Nasdaq up +1.55%, and the Russell posting a gain of +0.65% for the week. European equities couldn't hold onto their gain and fell -0.09% for the week after political turmoil emerged in Germany. Japanese equities rallied after Yoshihide Suga announced he is stepping down from leadership, but his party will remain in control. The Nikkei was up a whopping +5.38% for the week, most of which was achieved on Friday. Economic releases painted a mixed picture going into the long holiday weekend, with manufacturing showing strong output, but constrained from labor and supply chain shortages, housing markets cooled for the second month in a row, and wages grew but didn't take employment with it. Market participants will be keeping a close eye on growth metrics and will be paying especially close attention to labor markets looking for any signs of trending weakness that could derail the Fed's targeted plan to start tapering asset purchases at the end of this year.

Digits & Did You Knows

BRAND NEW HOMES — The median sales price of a new home sold in the USA in June 2021 was $390,500, a record high both on a nominal basis and on an inflation-adjusted basis. The old nominal record was $374,400 in April 2021. The old inflation-adjusted record was $345,800 in May 2017, equal to $383,898 in today's dollars. (source: Census Bureau, BTN Research).

RED TAPE — Congress approved $46.55 billion in rental aid via 2 bills in 12/2020 and 3/2021. As of 08/25/2021, just $5.1 billion has been disbursed to renters or 11% of the total. (source: Emergency Rental Assistance Program, BTN Research).

THE FIRST ONE — The CDC has changed the date of the first US Covid-19 death from 02/06/2020 to as early as 01/11/2020. The CDC now believes 6 Covid-related deaths occurred before 02/06/2020. (source: CDC, BTN Research).

Market Snapshot	Index Level	1-week Price Return	2021 Price Return
EQUITIES			
S&P 500	4,535.43	+0.58%	+20.75%
Nasdaq Composite	15,363.52	+1.55%	+19.21%
Russell 2000	2,292.05	+0.65%	+16.06%
Nikkei-225 (Japan)	29,128.11	+5.38%	+6.14%
STOXX Europe 600	471.93	-0.09%	+18.27%
RATES			
2-Year UST Note	0.21	-1 bps	9 bps
10-Year UST Note	1.32	1 bps	41 bps

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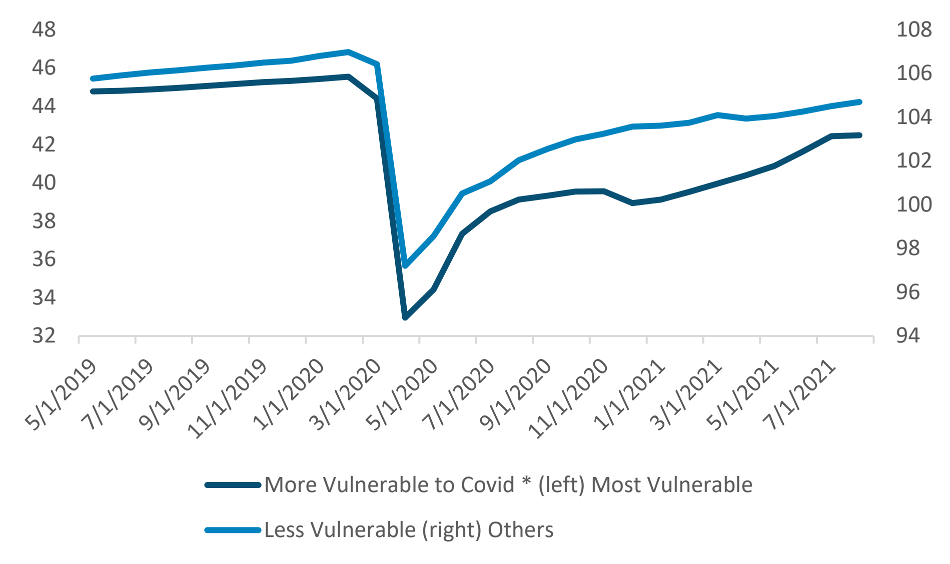
Chart of the Week

August's giant miss on payrolls threatens the Fed's timeline on tapering. Right now, the base case assumption is that an announcement is made at the September Fed meeting and tapering will begin in November. Fed President Powell has telegraphed to the markets that they are looking for "substantial progress" towards maximum employment. Progress has certainly been made since lockdowns began easing, but the spread of the delta variant is a rising threat. Digging into the payroll numbers, jobs that are more vulnerable to Covid exposure have flattened as illustrated in the chart to the right. August's miss might just be a bump in the road as more schools will start their Fall sessions in September, removing some pressure from working aged adults.

Covid-Sensitive Sectors Drive Recent Job Gains

Jobs More Vulnerable to Covid vs. Less Vulnerable



Source: Bloomberg

Economic Rundown

- **Pending Home Sales** missed the mark, coming in softer than expected at -1.8% versus 0.3%. This is the second month in a row that the market has showed signs of cooling.
- The **Dallas Fed Manufacturing** came in well below expectations of 23.0 at 9.0.
- **FHFA House Price Index** rose by +1.6%, but still missed expectations of +1.9%. This also illustrates that the red-hot housing market might be showing signs of cooling.
- The **Chicago PMI** fell from the previous month's 73.4 to 66.8.
- **ADP Employment Changes** missed in a big way, came in well below expectations of 625k at 374k.
- Parts and labor shortages are still plaguing manufacturing output, regardless **ISM Manufacturing PMI** expanded in August to 59.9, beating expectations of 58.5.
- **Jobless Claims** barely beat expectations of 345k at 340k.
- **US Trade Balance** narrowed more than expected to $70.1 billion versus median estimates of $70.9 billion.
- **Factory Orders** came in above estimates of +0.3% at +0.4%
- The closely watched **Nonfarm Payrolls** missed in a big way, coming in at +235k versus the expected +733k. The unemployment rate met market expectations at 5.2% and hourly earnings went up +0.6% versus 0.3% expected.

The Week Ahead

Monday	• *Labor Day*
Tuesday	• N/A
Wednesday	• Mortgage Applications • JOLTS
Thursday	• Weekly Jobless Claims • Langer Consumer Confidence
Friday	• PPI • Wholesale Inventories

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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 1.04	Emg Markets 1.37	Real Estate 1.80	Small Growth 0.86	Emg Markets 0.53	Real Estate 3.83	High
	Large Growth 1.04	Real Estate 0.47	Emg Markets 1.28	Mid Value 0.66	Intl Equity 0.45	Emg Markets 2.97	
	Mid Growth 0.25	Small Value 0.21	Intl Equity 0.91	Large Value 0.63	Large Growth 0.37	Intl Equity 1.70	
	Emg Markets 0.21	Small Growth 0.21	Small Growth 0.90	Mid Growth 0.57	Mid Growth 0.27	Small Growth 1.40	
	Intl Bonds 0.16	Mid Value 0.09	Small Value 0.43	Real Estate 0.44	60/40 Allocation 0.03	Large Growth 1.37	
	60/40 Allocation 0.13	60/40 Allocation 0.02	60/40 Allocation 0.40	Small Value 0.44	Real Estate 0.03	Mid Growth 1.06	
	High Yield Bond 0.13	High Yield Bond 0.02	Mid Growth 0.36	Intl Equity 0.41	High Yield Bond 0.01	60/40 Allocation 0.83	
	U.S. Bonds 0.11	Large Value -0.05	Intl Bonds 0.26	Intl Bonds 0.33	Intl Bonds -0.06	Intl Bonds 0.50	
	Intl Equity -0.02	Intl Equity -0.05	Large Growth 0.25	60/40 Allocation 0.24	U.S. Bonds -0.17	High Yield Bond 0.37	
	Small Growth -0.26	U.S. Bonds -0.15	Mid Value 0.09	High Yield Bond 0.13	Small Growth -0.31	Mid Value 0.04	
	Large Value -0.26	Intl Bonds -0.20	High Yield Bond 0.09	U.S. Bonds 0.10	Large Value -0.35	Small Value -0.01	
	Mid Value -0.36	Large Growth -0.28	U.S. Bonds 0.03	Large Growth -0.02	Mid Value -0.44	Large Value -0.07	
Low	Small Value -0.63	Mid Growth -0.40	Large Value -0.02	Emg Markets -0.45	Small Value -0.45	U.S. Bonds -0.07	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.