

WEEK IN REVIEW



October 08, 2021

The Bottom Line

- Equities were able to claw back some of the losses from the previous weeks, but Small Caps and Japanese equities still fell further.
- The 10-Year yield steadily climbed up for the week, up +14bps and took the 2-Year yield with it, up +5bps for the week.
- Economic news was largely mixed for the week, some metrics for employment started to show some much-needed signs of relief, while others disappointed. Service spending seem to be expanding, but mortgage applications stumbled lower for the week.

S&P Rises as Unemployment Falls

After last week's gruesome selloff, most equity indices parred some of their previous losses after Congress kicked the can on the U.S. government's debt ceiling to mid-December. The S&P 500 was up a modest +0.79% and the Nasdaq clung to positive territory after a miss on Unemployment numbers, up marginally at +0.09% for the week. European equities had a strong week, up +0.97% for the week, as the ECB announced they were looking for new ways to implement quantitative easing for when the next crisis strikes their economy. Small Cap equities were troubled for the week as yields steadily climbed upward, the Russell 2000 was down -0.38% for the week. Japanese equities had a dismal start to the week, by Wednesday the Nikkei-225 was down almost -4.5% but reclaimed some ground on Thursday and Friday and finished the week down -2.51%. A curious case unraveled for the week with employment data, some metrics in the middle of the week suggested that employment was finally starting to gain some upward momentum, but the official government numbers came in well below expectations. All eyes are now shifting back to the Fed and when they might begin to taper assets.

Digits & Did You Knows

STOCKS & WHITE HOUSE – From 1936-2020, the S&P 500 has averaged +6.7% per year (total return) during the 1st year of a 4-year presidential term, +8.7% per year during the 2nd year, +18.5% per year during the 3rd year, and +9.8% per year during the 4th year. 2022 will be year # 2 of a 1st-term Biden administration. (source: BTN Research).

SKILLS NEEDED – 75% of executives surveyed in December 2020 anticipate increased spending in “automation and technology” through December 2024. (source: McKinsey Global Economic Conditions Survey, BTN Research).

DID NOT GO TO COLLEGE – 64% of American adults at least age 25 don't have a bachelor's degree from college. (source: Census Bureau, BTN Research).

Market Snapshot	Index Level	1-week Price Return	2021 Price Return
EQUITIES			
S&P 500	4,391.34	+0.79%	+16.91%
Nasdaq Composite	14,579.54	+0.09%	+13.12%
Russell 2000	2,233.09	-0.38%	+13.08%
Nikkei-225 (Japan)	28,048.94	-2.51%	+2.20%
STOXX Europe 600	457.29	+0.97%	+14.60%
RATES			
2-Year UST Note	0.32	5 bps	19 bps
10-Year UST Note	1.61	14 bps	69 bps



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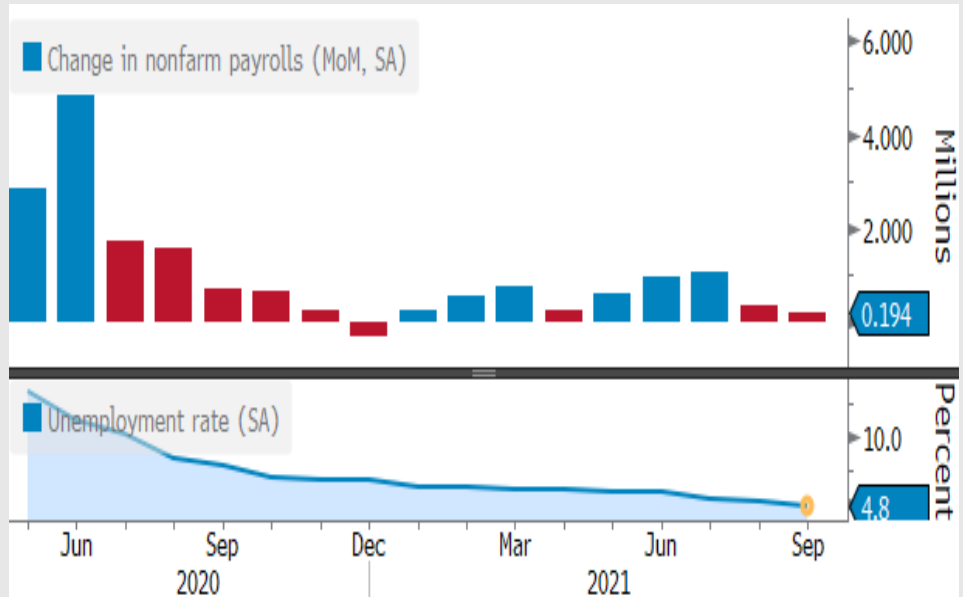


Chart of the Week

After weeks of disappointing, labor markets started to show some meaningful signs of life with the ADP Employment reading beating expectations on Wednesday and then Jobless Claims came in softer than expected the following day. But the official government tracking in employment, Change in Nonfarm Payrolls, missed their mark in a big way for last month, coming in miles below expectations of 500k at 194k. Despite this disappointment, the Unemployment Rate fell to 4.8%, however, this was due to a decline in the labor force participation amongst women. Employment is the last box the Fed needs to check for the economy to have reached “substantial recovery” and this will be the last reading before the Fed’s next meeting to decide when to taper assets. Now, everyone is asking, is it enough?

Missing the Mark

September’s Job Growth was Slowest of the Year



Source: Bureau of Labor Statistics, Bloomberg

Economic Rundown

- **Factory Orders** beat expectations of +1.0%, coming in at 1.2%.
- **Durable Goods Orders** maintained their upward momentum, coming in at expectations of +1.8%.
- The U.S. trade deficit widened to a record in August, U.S. **Trade Balance** came in at -\$73.3 billion versus expectations of \$70.8 billion.
- **Markit US Services PMI** came in above expectations of 54.4 at 54.9. Anything above the 50 threshold indicates an expansion.
- Likewise, **ISM Services Index** came in hotter than expected at 61.9 versus expectations of 59.9.
- **MBA Mortgage Applications** fell again this week, down -6.9% versus the prior reading of down -1.1%
- **ADP Employment** showed its first improvement in a long time, coming in well above expectations of 430k at 568k.
- **Jobless Claims** broke their recent trend and came in below expectations of 348k at 326k. **Continuing Claims** reached a pandemic low of 2.7 million.

- Despite the positive job readings earlier in the week, **Change in Nonfarm Payrolls** missed expectations of 500K coming in at 194k. **Unemployment**, however, fell to 4.8% versus expectations of 5.1%.
- **Wholesale Inventories** met expectations of +1.2%.

The Week Ahead

Monday	• <i>Columbus Day</i>
Tuesday	• NFIB Small Business Optimism • JOLTS
Wednesday	• MBA Mortgage Applications • CPI • Avg. Hourly Earnings • FOMC Meeting Minutes
Thursday	• Weekly Jobless Claims • PPI
Friday	• Retail Sales • U. of Michigan Sentiment • Import/Export Price Index

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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	Intl Bonds 0.16	Large Growth 1.28	Real Estate 0.99	Emg Markets 1.95	Emg Markets 0.38	Large Value 1.27	High
	U.S. Bonds -0.07	Mid Growth 1.02	Large Growth 0.65	Small Growth 1.69	Intl Equity -0.01	Mid Value 1.04	
	Small Value -0.13	Large Value 0.71	Mid Growth 0.54	Small Value 1.34	Intl Bonds -0.01	Emg Markets 0.97	
	Real Estate -0.20	Emg Markets 0.71	Large Value 0.25	Mid Growth 1.33	Large Value -0.03	Small Value 0.59	
	High Yield Bond -0.35	Intl Equity 0.68	Mid Value 0.18	Large Growth 1.06	60/40 Allocation -0.19	Large Growth 0.36	
	Mid Value -0.45	Mid Value 0.66	U.S. Bonds 0.04	Mid Value 0.84	Mid Value -0.19	60/40 Allocation -0.09	
	Large Value -0.47	Small Growth 0.57	High Yield Bond -0.06	Large Value 0.80	U.S. Bonds -0.22	Mid Growth -0.21	
	60/40 Allocation -0.69	60/40 Allocation 0.33	60/40 Allocation -0.06	Intl Equity 0.78	Small Value -0.25	Intl Equity -0.28	
	Intl Equity -1.05	Small Value 0.26	Small Growth -0.40	60/40 Allocation 0.53	High Yield Bond -0.30	Real Estate -0.48	
	Emg Markets -1.47	High Yield Bond -0.05	Intl Bonds -0.41	Real Estate 0.18	Large Growth -0.43	Intl Bonds -0.61	
	Small Growth -1.70	U.S. Bonds -0.23	Emg Markets -0.56	Intl Bonds 0.02	Mid Growth -0.86	High Yield Bond -0.74	
	Large Growth -2.16	Intl Bonds -0.36	Small Value -0.62	High Yield Bond 0.01	Real Estate -0.87	U.S. Bonds -0.76	
Low	Mid Growth -2.19	Real Estate -0.57	Intl Equity -0.67	U.S. Bonds -0.28	Small Growth -1.17	Small Growth -1.04	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.

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