WEEK IN REVIEW

December 03, 2021

The Bottom Line

- Equities posted a second week of losses after the CDC announced the first omicron case and employment data disappointed.
- Yields were volatile for the week, with the yield on the 2-year rising +9bps and the yield on the 10-year plummeting -12bps.
- Economic data for the week painted a murky picture with Pending Home Sales roaring upward, Construction Spending missing estimates, and a curious case of job growth being the smallest of the year, but the unemployment rate fell to a pandemic low and labor force participation edged higher.

Covid Variants Spook Traders

The start to the final month of the year was rough for financial markets across the globe as traders began to price in the impact of the existing delta variant, as well as the new omicron variant. Several European economies announced a return to lockdowns and the CDC announced the first US omicron case was discovered in California on Wednesday. With the lockdowns resuming overseas, European equities were dragged down into negative territory for the week, the STOXX Europe 600 fell -0.28%. The world's third largest economy, Japan, was hit even harder with the Nikkei-225 falling -2.51% for the week. Domestic equities weren't immune to the selloff either, the S&P 500 fell -1.22% for the week and the Nasdaq was even worse, falling -2.62%. Small Cap equities, as measured by the Russell 2000, were hit the worst, falling -3.86% for the week. Fed Chairman Powell took on a hawkish tone as he testified in front of Congress, alluding to a possible accelerated timeline to tightening monetary policy and thus opening the door to a sooner than expected increase in interest rates. Looking ahead, market participants will be eagerly awaiting data studies on the new covid-19 variant, which are scheduled to be released at the end of next week.

Digits & Did You Knows

NICE NEIGHBERHOOD – The costliest zip code in the USA is 94027 (Atherton, CA.) where the median sales price of a single-family home in 2021 was $7.475 million. (source: Architectural Digest, BTN Research).

HUGE BUT SLOWING DOWN – Student loan debt nationwide was $1.58 trillion as of 09/30/21, but the total has increased just +1.9% over the last 12 months. Over the last 5 years, student loan debt has increased +23.5% (from $1.279 trillion to $1.580 trillion), an average increase of +4.3% per year. (source: Federal Reserve Bank of New York, BTN Research).

A WORLD RECORD – Diane Friedman ran 100 meters in 36.71 seconds on 08/15/21 at the Michigan Senior Olympics, the fastest 100 meters ever run by a woman at least age 100. (source: GrowingBolder.com, BTN Research).

Market Snapshot	Index Level	1-week Price Return	2021 Price Return
EQUITIES			
S&P 500	4,538.43	-1.22%	+20.83%
Nasdaq Composite	15,085.47	-2.62%	+17.05%
Russell 2000	2,159.31	-3.86%	+9.34%
Nikkei-225 (Japan)	28,029.57	-2.51%	+2.13%
STOXX Europe 600	462.77	-0.28%	+15.97%
RATES			
2-Year UST Note	0.59	9 bps	47 bps
10-Year UST Note	1.35	-12 bps	44 bps

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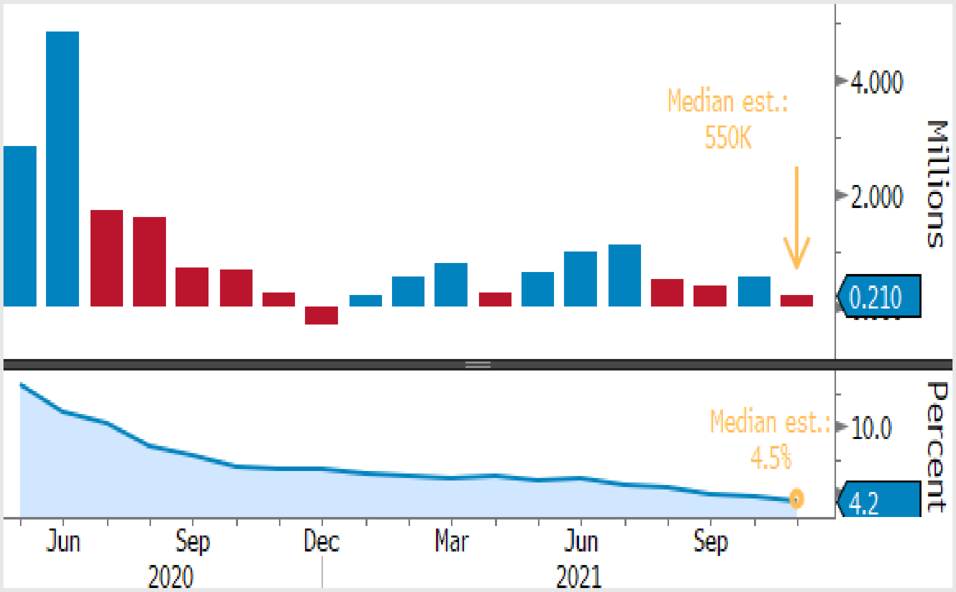
Chart of the Week

As the chart illustrates, November posted the smallest amount of growth in the labor markets for the year, coming in at +210k versus survey estimates of +550k. Despite the downside disappointment in payrolls, the unemployment rate landed below estimates of 4.5%, coming in at 4.2%. Labor force participation, a measure of Americans either working or looking for employment, rose modestly to 61.8%, but has largely remained stagnant since the end of the summer. While Fed Chairman Powell said that there is still room for progress, the drop in the unemployment rate could lead to an accelerated tapering timeline. With the omicron variant now threatening reopened economies, progress in labor markets may remain constrained going into the new year, as well as impact the Fed's timeline for tapering asset purchases.

Employment Disappoints for November

Change in Nonfarm Payrolls (Top), Unemployment Rate (Lower)



Source: Bureau of Labor Statistics, Bloomberg

Economic Rundown

- **Pending Home Sales** screamed above expectations of +1.0% for the month of October, coming in at an astounding +7.5%.
- Coming in above expectations of 11.8, **Dallas Fed Manf. Activity** landed at 15.0.
- **FHFA House Price Index** was softer than expectations of +1.2%, landing at +0.9%.
- Missing expectations, **MNI Chicago PMI** was 61.8 versus survey estimates of 67.0.
- **Conf. Board Consumer Confidence** came in below expectations of 110.9 at 109.5 for the month of November.
- **MBA Mortgage Applications** fell by -7.2% from the previous reading of +1.8% for the week.
- Coming in slightly above expectations of +525k, **ADP Employment Change** came in at +534k for the month of November.
- **Construction Spending** was softer than expected at +0.2% versus expectations of +0.4%.
- **Change in Nonfarm Payrolls** deeply missed survey estimates of +550k, coming in at +210k for the previous month.
- **Factory Orders** came in above estimates of +0.5%, landing at +1.0%.
- Surprising slightly to the upside, **Durable Goods Orders** fell by -0.4% versus expectations of -0.5%.

The Week Ahead

Monday	• N/A
Tuesday	• Trade Balance • Consumer Credit
Wednesday	• MBA Mortgage Applications • JOLTS
Thursday	• Initial Jobless Claims • Wholesale Inventories • Household Change in Net Worth
Friday	• CPI • U. of Mich. Sentiment • Monthly Budget Statement

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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 1.89	Intl Bonds 0.67	Emg Markets 0.37	Real Estate 3.04	U.S. Bonds 0.40	High Yield Bond 0.95	High
	Real Estate 1.05	U.S. Bonds 0.17	Intl Bonds 0.06	Small Value 3.03	Intl Bonds 0.23	Intl Bonds 0.85	
	Mid Growth 0.84	Emg Markets -0.10	U.S. Bonds 0.02	Mid Value 2.78	High Yield Bond 0.00	U.S. Bonds 0.62	
	Mid Value 0.68	High Yield Bond -0.42	High Yield Bond 0.01	Small Growth 2.44	Large Value -0.24	Emg Markets 0.45	
	High Yield Bond 0.62	60/40 Allocation -0.84	Intl Equity -0.57	Large Value 2.16	Intl Equity -0.41	Real Estate -0.01	
	Intl Equity 0.51	Intl Equity -0.88	60/40 Allocation -0.64	Mid Growth 2.08	60/40 Allocation -0.42	Intl Equity -0.13	
	60/40 Allocation 0.45	Large Growth -1.53	Large Value -0.98	Intl Equity 1.24	Real Estate -0.45	60/40 Allocation -0.39	
	Large Value 0.40	Small Growth -1.62	Mid Value -1.35	Emg Markets 1.22	Mid Value -0.55	Large Value -1.10	
	Emg Markets 0.39	Real Estate -2.03	Real Estate -1.54	Large Growth 1.10	Small Value -1.24	Mid Value -1.34	
	U.S. Bonds 0.05	Small Value -2.28	Large Growth -1.85	60/40 Allocation 1.09	Emg Markets -1.41	Large Growth -2.11	
	Small Growth 0.01	Mid Growth -2.35	Small Value -1.97	High Yield Bond 0.74	Large Growth -1.67	Small Value -2.86	
	Intl Bonds -0.17	Large Value -2.39	Small Growth -2.65	Intl Bonds 0.06	Mid Growth -2.45	Small Growth -4.53	
Low	Small Value -0.35	Mid Value -2.81	Mid Growth -3.07	U.S. Bonds -0.02	Small Growth -2.70	Mid Growth -4.96	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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