

# WEEK IN REVIEW



December 10, 2021

## The Bottom Line

- Domestic and International equities shook off last week's volatility and posted a strong week of gains.
- Yields rose with equities for the week, the yield on the 2-year jumped up +6bps and the yield on the 10-year rose +14bps.
- Economic data for the week continued to illustrate that employers are desperately looking for workers with job openings exceeding unemployed Americans by its biggest margin on record, according to the JOLTS, and CPI showed that inflation posted its biggest year over year jump in almost 40 years.

## Traders Shake Off Covid Fears

After last week's bloody sell off, market participants came to terms with the continued spread of the delta variant and shook off their concerns of the new omicron variant. The S&P 500 took off and rose +3.82% for the week and the tech-heavy Nasdaq was right behind it, up +3.61% for the week. Domestic small cap equities were also up for the week, but to a lesser extent at +2.43%, as measured by the Russell 2000. The rally wasn't limited to just US equities, European equities, as measured by the STOXX Europe 600, rose a robust +2.76% for the week and Japanese equities, as measured by the Nikkei-225, were also up a modest +1.46% for the week. Next week, traders will be keeping an eye on NFIB Small Business Optimism, Industrial Production, and Retail Sales, but the Fed will likely have a monopoly on investors attention on Wednesday after their meeting. With the CPI showing its biggest annual increase in almost 40 years, it is expected that the Fed will give some light on the pace of the winding down of their bond buying program implemented at the start of the pandemic. It's possible that Fed Chairman Powell may mention the timeline for the first interest rate hike, but most market participants are expecting ambiguous language on that front.

## Digits & Did You Knows

**FED JOBS** – With the resignation of Randal Quarles at the end of 2021 and the expiration of Richard Caltrida's term on 01/31/22, the Fed's 7-member Board of Governors will have 3 vacancies. President Biden has pledged to "bring new perspectives and new voices" to the Fed board. (source: Federal Reserve, BTN Research).

**WAS PRIVATE, NOW PUBLIC** – The cost of tuition, fees, room and board at an average public 4-year college for the current 2021-2022 school year is \$22,690. The cost of tuition, fees, room and board at an average private 4-year college for the 2000-2001 school year, i.e., 21 years ago, was \$22,240. (source: National Association for the Education of Young Children, BTN Research).

Market Snapshot	Index Level	1-week Price Return	2021 Price Return
<b>EQUITIES</b>			
S&P 500	4,712.02	+3.82%	+25.45%
Nasdaq Composite	15,630.60	+3.61%	+21.28%
Russell 2000	2,211.81	+2.43%	+12.00%
Nikkei-225 (Japan)	28,437.77	+1.46%	+3.62%
STOXX Europe 600	475.56	+2.76%	+19.18%
<b>RATES</b>			
2-Year UST Note	0.65	6 bps	53 bps
10-Year UST Note	1.48	14 bps	57 bps



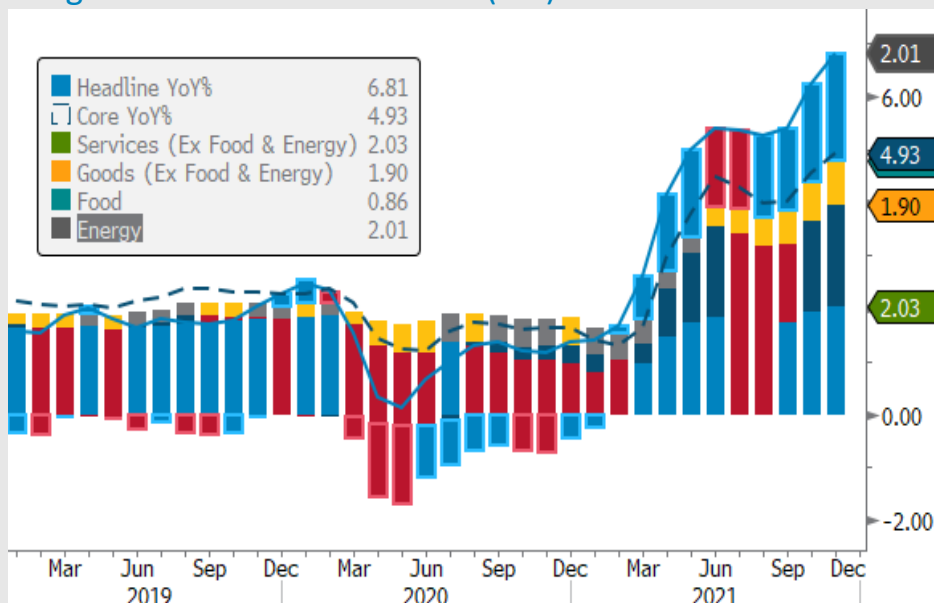
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### Chart of the Week

For the month of November, inflation, as measured by the Consumer Price Index, landed right in line with expectations of +6.8% for the month of November. While it's encouraging that inflation wasn't above expectations, this was still the largest year over year advance since 1982. Similar to the previous month's reading, the increase in inflation was broad and not isolated to any single category. Given the level and persistency of inflation, it is widely expected that the Fed will have increased pressure to accelerate the winding down of their asset purchase program, which would also open the door to a hike in interest rates sooner than previously expected. Currently, Fed officials are in a self-imposed "blackout" period, where none of the officials will be engaging in public speaking platforms until after their meeting next Wednesday.

### Inflation Climbs at Fastest Annual Rate Since 1982 Change in Consumer Price Index (CPI) Year Over Year



Source: Bureau of Labor Statistics, Bloomberg

### Economic Rundown

- **US Trade Balance** was larger than expectations of -\$66.8 billion, coming in at -\$67.1 billion.
- **Consumer credit** rose by less than estimates of +\$25 billion, landing at +\$16.9 billion for the month of October.
- **MBA Mortgage Applications** rose by +2.0% from the previous reading of -7.2% for the week.
- Coming in above expectations, **Job Openings and Labor Turnover Survey (JOLTS)** landed above expectations of 104 million, at 110 million, which exceeds Unemployment by the largest margin ever recorded.
- Surprising to the upside, **Jobless Claims** came in at +184k, versus survey estimates of +220k. **Continuing Claims** missed expectations of 1.91 million, landing at 1.99 million.
- **Wholesale Inventories** rose slightly higher than expectations of +2.2%, coming in at +2.3%.
- Posting its smallest increase since the start of the Covid pandemic, **U.S. Household Change in Net Worth** rose by \$2.36 trillion. The previous reading showed an increase of \$5.85 trillion.

- **CPI YoY** was in line with expectations of +6.8% for the month of November.
- **U. of Mich. Sentiment** was stronger than expected at 70.4 versus estimates of 68.0.
- The **U.S. Monthly Budget Statement** showed a deficit of -\$191.3 billion, which was smaller than expectations of -\$193.0 billion.

### The Week Ahead

- |           |   |
|-----------|---|
| Monday    | • N/A   |
| Tuesday   | • NFIB Small Business Optimism<br>• PPI   |
| Wednesday | • MBA Mortgage Applications<br>• Empire Manufacturing<br>• Retail Sales Advance                             |
| Thursday  | • Initial Jobless Claims<br>• Housing Starts<br>• Industrial Production<br>• Markit US Goods & Services PMI |
| Friday    | • 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 2.17	Small Growth 3.34	Mid Growth 1.28	U.S. Bonds 0.01	Large Growth 0.98	Large Growth 4.32	High
	Mid Value 1.76	Mid Growth 3.29	Small Growth 0.85	Intl Bonds -0.35	Large Value 0.47	Mid Value 3.13	
	Small Growth 1.75	Large Growth 2.94	Large Growth 0.64	Large Value -0.36	Mid Value 0.38	Large Value 2.84	
	Real Estate 1.61	Intl Equity 2.11	Real Estate 0.62	High Yield Bond -0.45	Intl Bonds 0.26	Real Estate 2.70	
	Large Value 1.39	Emg Markets 1.58	Small Value 0.52	Emg Markets -0.48	Real Estate 0.24	Intl Equity 2.65	
	Intl Equity 0.96	Mid Value 1.54	Mid Value 0.44	60/40 Allocation -0.62	High Yield Bond 0.23	Mid Growth 2.51	
	Large Growth 0.92	Real Estate 1.50	Emg Markets 0.40	Intl Equity -0.83	60/40 Allocation 0.23	Small Value 2.44	
	Emg Markets 0.78	Small Value 1.38	Intl Bonds 0.38	Mid Value -1.01	Intl Equity 0.22	Small Growth 2.43	
	60/40 Allocation 0.61	Large Value 1.25	Intl Equity 0.19	Large Growth -1.20	Emg Markets 0.08	Emg Markets 2.37	
	High Yield Bond 0.44	60/40 Allocation 1.18	60/40 Allocation 0.17	Real Estate -1.27	U.S. Bonds 0.03	60/40 Allocation 1.58	
	Mid Growth 0.41	High Yield Bond 0.53	Large Value 0.07	Small Value -1.63	Small Value 0.01	High Yield Bond 0.73	
	Intl Bonds -0.20	Intl Bonds 0.00	High Yield Bond -0.02	Mid Growth -2.14	Mid Growth -0.27	Intl Bonds 0.09	
Low	U.S. Bonds -0.35	U.S. Bonds -0.16	U.S. Bonds -0.26	Small Growth -2.82	Small Growth -0.59	U.S. Bonds -0.73	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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