WEEK IN REVIEW

December 24, 2021

The Bottom Line

- Traders shook off omicron concerns and the hawkish Fed from last week and grinded out a new record for equities despite the shortened trading week.
- Yields climbed with equities for the week, the yield on the 2-year dropping slightly, up +5bps and the yield on the 10-year jumped +9bps.
- Economic data for the week illustrated that the economy is still rebounding, despite the myriad of constraints in supply-chains, labor markets, and runaway inflation, with GDP coming in above estimates and Personal Consumption showing consumers are returning to spending for the holiday season.

Santa Clause Rally: ✓ Year End Rally: ?

After last week's abysmal sell-off in equity markets, investors shrugged off rising omicron cases and the hawkish tone of the Fed. The S&P 500 closed at a record high on Thursday, clinching a Santa Clause rally, markets were closed on Friday in observance of the Christmas holiday. The S&P 500 was up +2.28% for the week and a whopping +25.82% for the year. After bearing a large brunt of the selling pressure last week, the tech-heavy Nasdaq was able to post a strong week, up +3.19% for the week. Small Cap equities, as measured by the Russell 2000, were right behind the Nasdaq, up 3.11% for the week. International equities participated in the rally as well, albeit to a lesser extent, the STOXX Europe 600 was up +1.92% for the week and Japanese equities, as measured by the Nikkei-225, were up a modest +0.89%. Strong US GDP numbers, as well as strong Personal Consumption, helped buoy the rally for the week, showing that consumers are shaking off the continued concern of the spread of covid-19 variants. With a Santa Clause rally officially in the books for the year, the big question now is if it will continue into the final week of the year. Economic data releases for next week will be light due to the New Year's holiday and another short trading week.

Digits & Did You Knows

IMPACTING MANY – 45% of American households surveyed in November of 2021 indicate that rising domestic inflation has caused "moderate" or "severe" hardship. (source: Gallup, BTN Research)

HOME LOANS – Government-backed mortgages, e.g., FHA or VA loans, make up 50% of all home mortgages. The maximum government-backed mortgage loan in 2022 in a majority of the US will be $647,200. In high-cost areas of the country, the maximum loan will be $970,800. (source: Federal Housing Finance Agency, BTN Research).

THEY'RE IN EVERYTHING – 75% of the semiconductor chips manufactured in the world today are made in Asia. Just 12% of all chips are made in the USA. (source: Semiconductor Industry Association, BTN Research.)

Market Snapshot	Index Level	1-week Price Return	2021 Price Return
EQUITIES			
S&P 500	4,725.79	**+2.28%**	**+25.82%**
Nasdaq Composite	15,653.37	**+3.19%**	**+21.45%**
Russell 2000	2,241.58	**+3.11%**	**+13.51%**
Nikkei-225 (Japan)	28,798.37	**+0.89%**	**+4.93%**
STOXX Europe 600	483.01	**+1.92%**	**+21.05%**
RATES			
2-Year UST Note	0.69	5 bps	57 bps
10-Year UST Note	1.49	9 bps	58 bps

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December 24, 2021

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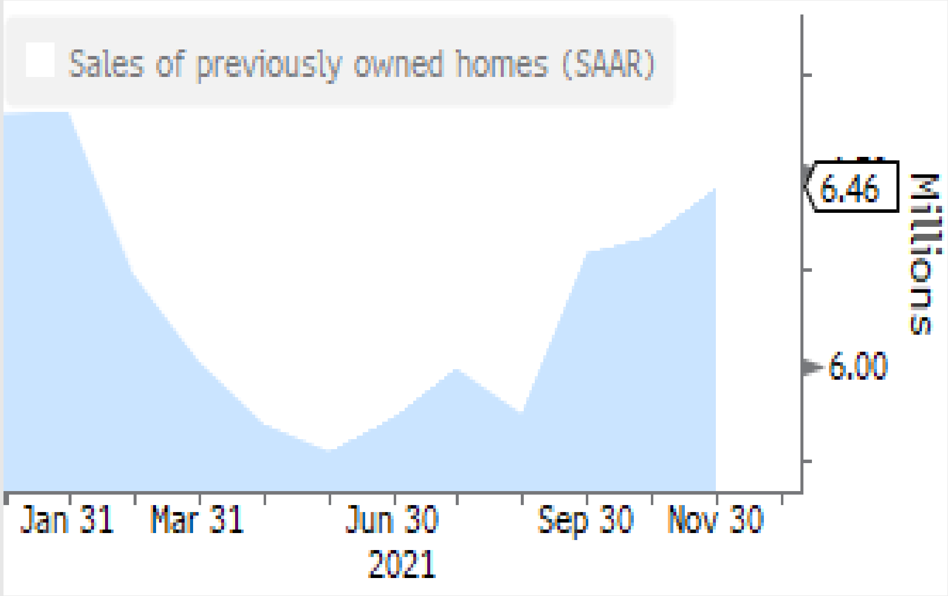
Chart of the Week

While off its recent 14-year high, Existing Home Sales continued to climb upward for the third month in a row. The December data release illustrated an advance of +1.9% for the month of November, the strongest pace since January of 2021. Looking at the underlying data, it appears that the demand is strongest at the high-end of the market and cheap borrowing costs continue to act as a tailwind to housing demand. The median price of existing homes sold for the month of November rose +13.9% from one year ago, leading to a lofty price tag of $353,900. Inventory of existing homes on the market continue to remain tight, especially those priced over the $500,000 mark. At the current pace, it's estimated that it will take 2.1 months to sell all the existing inventory, anything less than 5 months is considered a tight market.

Housing Sales Firm Up for Third Month in a Row

Existing Home Sales



Source: National Association of Realtors, Bloomberg

Economic Rundown

- The **Leading Index** came in above expectations of +1.0%, landing at +1.1%.
- The US **Current Account Balance** widened by more than anticipated, expectations were for a deficit of -$205.0 billion, but the reading came in at -$214.8 billion.
- **MBA Mortgage Applications** fell for the second week in a row, down slightly this week at -0.6% versus the previous week's reading of -4.0%.
- Coming in stronger than expected, **GDP** landed at +2.3% versus expectations of +2.1%.
- **Personal Consumption** came in above expectations, which helped buoy GDP numbers, landing at +2.0% versus survey estimates of +1.7%.
- **Conf. Board Consumer Confidence** was stronger than anticipated at 115.8, consensus predicted 111.0.
- **Existing Home Sales** came in softer than expectations of +2.9%, landing at +1.9%.
- **Initial Jobless Claims** were in line with expectations of 205k.
- Both **Personal Income & Spending** met the mark, coming in at +0.4% and +0.6% respectively.
- **Durable Goods Orders** came in well above expectations of +1.8%, landing at +2.5%.
- **U. of Mich. Sentiment** was slightly stronger than expected 70.4, coming in at 70.6.

The Week Ahead

Monday	• Dallas Fed Manf. Activity
Tuesday	• FHFA House Price Index • Richmond Fed Manf. Index
Wednesday	• Wholesale Inventories • Retail Inventories • Advanced Goods Trade Balance • Pending Home Sales
Thursday	• Initial Jobless Claims • MNI Chicago PMI
Friday	• N/A

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December 24, 2021

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	Intl Bonds 0.25	Mid Growth 3.09	Large Growth 1.26	Small Growth 1.07	[redacted]	Small Growth 3.52	High
	U.S. Bonds -0.15	Small Growth 3.00	Small Value 0.99	Large Growth 0.80	[redacted]	Mid Growth 3.18	
	High Yield Bond -0.17	Small Value 2.85	Real Estate 0.97	Mid Growth 0.76	[redacted]	Large Growth 3.15	
	Intl Equity -0.22	Large Growth 2.31	Intl Equity 0.93	Small Value 0.64	[redacted]	Small Value 3.01	
	60/40 Allocation -0.62	Mid Value 2.07	Mid Growth 0.87	Intl Equity 0.59	[redacted]	Intl Equity 2.43	
	Real Estate -0.80	Emg Markets 1.69	Mid Value 0.82	Mid Value 0.56	[redacted]	Mid Value 1.94	
	Large Value -1.08	Large Value 1.49	Small Growth 0.81	Large Value 0.56	[redacted]	Large Value 1.58	
	Large Growth -1.22	Intl Equity 1.11	Large Value 0.62	Emg Markets 0.52	[redacted]	60/40 Allocation 1.34	
	Small Growth -1.35	60/40 Allocation 1.04	60/40 Allocation 0.59	60/40 Allocation 0.33	[redacted]	Emg Markets 1.16	
	Small Value -1.46	Real Estate 1.01	Emg Markets 0.48	High Yield Bond 0.29	[redacted]	Real Estate 1.08	
	Mid Value -1.49	High Yield Bond 0.53	Intl Bonds 0.46	Real Estate -0.09	[redacted]	High Yield Bond 0.91	
	Emg Markets -1.50	U.S. Bonds -0.08	High Yield Bond 0.27	U.S. Bonds -0.12	[redacted]	Intl Bonds 0.33	
Low	Mid Growth -1.52	Intl Bonds -0.17	U.S. Bonds 0.09	Intl Bonds -0.20	[redacted]	U.S. Bonds -0.26	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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