WEEK IN REVIEW

January 14, 2022

The Bottom Line

- Global equities continued their selloff for the week as market participants digested hawkish statements from Federal Reserve officials.
- As equities sold off, yields jumped for a second week in a row. The yield on the 10-Year US Treasury Note rose by +30bps and the yield on the 2-Year was up +28bps for the week.
- Economic data for the week showed that labor markets stumbled with initial jobless claims rising by more than expected and inflation came in line with expectations, but reached a 39-year high, as measured by the CPI. On the other hand, prices for producers showed signs of softening with PPI rising by less than expectations.

Equities Continue Their Selloff

Global equities sold off for the week as investors priced in a combination of slowing global growth as well as a hawkish US Federal Reserve. Domestic equities spent most of the week up slightly, but after inflation readings on Wednesday and comments from Federal Reserve officials promising to "aggressively combat" rising inflation over the year, they turned deeply negative on Thursday. Most major US indices were able to eek out a positive day at the end of the week, but buyers and sellers battled throughout the day. The S&P 500 was down -1.33% for the week and Small Cap equities, as measured by the Russell 2000, were down -3.53%. The tech heavy Nasdaq Composite took on most of the selling pressure, down -4.85% for the week. International markets faired slightly better for the week but were negative overall. Japanese equities, as measured by the Nikkei-225, were down -2.34% for the week and European equities, as measured by the STOXX Europe 600, were down more modestly at -0.38% for the week. Inflation and the Fed's future monetary policy look to be the main theme for the start of the year and may steal headlines for upcoming corporate earnings.

Digits & Did You Knows

HAS NEVER BEEN LESS –5 states (Georgia, Nebraska, Oklahoma, Utah, and West Virginia) recorded their lowest unemployment rates ever in November 2021. State jobless rates have been tracked nationwide since 1976. (source: Bureau of Labor Statistics, BTN Research).

NECESSARY SKILLS –Utah has the top financial literacy requirement for its high school students of any of the 50 US states. Utah requires all of its high school students to take a half-year course dedicated to personal finance, and then to take a final exam administered by the state. Ohio is the latest US state to add some form of financial literacy instruction at the high school level, effective 01/27/2022. (source: Champlain College Inc. , BTN Research).

Market Snapshot	Index Level	1-week Price Return	2022 Price Return
EQUITIES			
S&P 500	4,662.85	-1.33%	-2.17%
Nasdaq Composite	14,893.75	-4.85%	-4.80%
Russell 2000	2,162.46	-3.53%	-3.69%
Nikkei-225 (Japan)	28,124.28	-2.34%	-2.32%
STOXX Europe 600	481.16	-0.38%	-1.36%
RATES			
2-Year UST Note	0.96	28 bps	23 bps
10-Year UST Note	1.79	30 bps	28 bps

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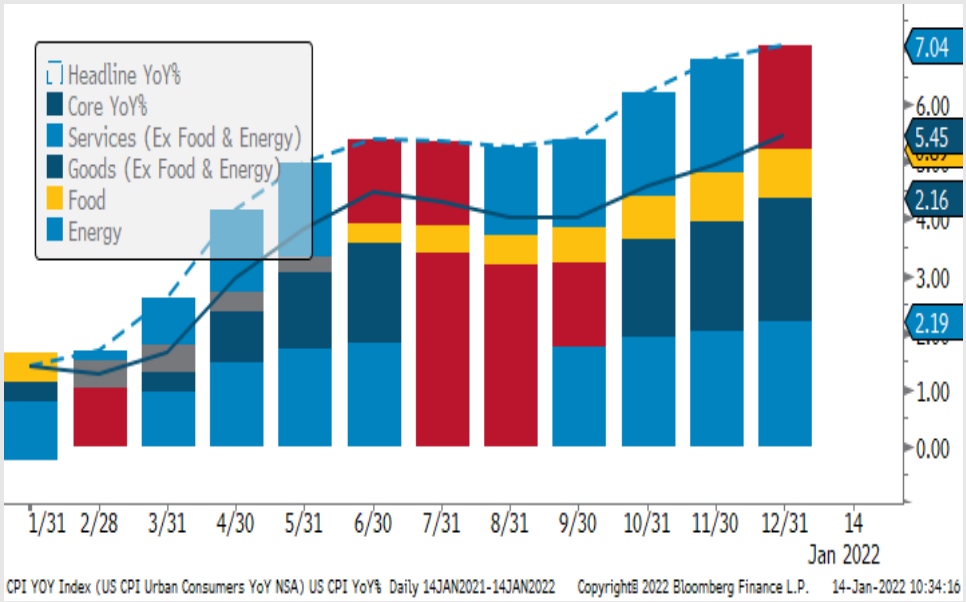
Chart of the Week

Inflation, as measured by the Consumer Price Index (CPI), landed in line with expectations on a year over year basis at +7.0%. This was the biggest jump since the 1980s. Digging into the underlying data, there wasn't an isolated culprit for the large jump, but rather it was almost across the board. Energy costs fell for this reading, but the expectation is for that to be temporary. Omicron, and shutdowns related to its rapid spread, are the likely culprit for the drop in energy prices. With this continued pace of ever rising inflation, it appears that this will remain a key driver for fiscal and monetary policy throughout the year. Inflation at these levels, combined with the unemployment rate falling below 4%, strengthens the Fed's recent hawkish stance and bolsters the narrative for increasing the pace of the tapering process.

December CPI Hit Its Highest Point Since 1980s

Year over Year Change in CPI



Source: Bureau of Labor Statistics, Bloomberg

Economic Rundown

- Coming in above expectations of +1.2%, **Wholesale Inventories** landed at +1.4% for the month of November.
- **NFIB Small Business Optimism** was slightly above expectations of 98.7, coming in at 98.9.
- Meeting expectations, **CPI YoY** landed at an astounding +7.0%.
- The **US Treasury Federal Budget Debt Summary** showed a deficit of -$21.3 billion versus survey estimates of -$5.0 billion.
- **PPI YoY** came in softer than expectations of +9.8%, landing at +9.7%.
- **Initial Jobless Claims** missed the mark, coming in at +230k versus expectations of +200k. **Continuing Claims** was below expectations of 1.73 million landing at 1.56 million.
- Disappointing in a big way, **Retail Sales Advance** missed expectations of -0.1%, falling by -1.9% for December.
- **Import Price Index** unexpectedly fell by -0.2%, consensus estimated an increase of +0.2%.
- **Capacity Utilization** was softer than expectations of 77.0%, landing at 76.5%.
- **Industrial Production** missed consensus estimates of +0.2%, coming in at -0.1% for December.
- Missing the mark, **U. Of Mich. Sentiment** landed at 68.8 versus expectations of 70.0 for the month of January.

The Week Ahead

Monday	• N/A
Tuesday	• Empire Manufacturing • NAHB Housing Market Index • Net TIC Flows
Wednesday	• MBA Mortgage Applications • Building Permits • Housing Starts
Thursday	• Initial Jobless Claims • Philadelphia Fed Business Outlook • Existing Home Sales
Friday	• Leading Index

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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	High Yield Bond 0.08	Emg Markets 2.31	Emg Markets 1.66	U.S. Bonds 0.18	Small Value 0.61	Emg Markets 2.50	High
	Emg Markets 0.00	Mid Growth 1.60	Intl Equity 0.98	Intl Bonds 0.09	Large Growth 0.25	Small Value 0.30	
	Large Growth -0.06	Small Growth 1.43	Intl Bonds 0.96	Small Value -0.20	Emg Markets -0.04	Intl Equity 0.29	
	Mid Growth -0.07	Large Growth 1.14	60/40 Allocation 0.35	Mid Value -0.26	High Yield Bond -0.09	High Yield Bond 0.26	
	U.S. Bonds -0.09	Intl Equity 1.09	Large Growth 0.33	Real Estate -0.32	Intl Equity -0.10	Large Value 0.16	
	Large Value -0.15	Mid Value 1.02	High Yield Bond 0.16	High Yield Bond -0.36	Large Value -0.16	Intl Bonds 0.06	
	60/40 Allocation -0.30	Large Value 0.81	Real Estate 0.10	Large Value -0.41	Small Growth -0.21	60/40 Allocation -0.03	
	Small Growth -0.38	60/40 Allocation 0.78	Large Value 0.08	60/40 Allocation -0.60	60/40 Allocation -0.25	Mid Value -0.04	
	Small Value -0.42	Small Value 0.73	Mid Value 0.08	Intl Equity -0.73	Mid Value -0.29	U.S. Bonds -0.28	
	Intl Bonds -0.49	High Yield Bond 0.47	U.S. Bonds 0.00	Emg Markets -1.42	U.S. Bonds -0.56	Large Growth -0.86	
	Real Estate -0.51	Real Estate 0.25	Small Value -0.41	Small Growth -1.77	Mid Growth -0.64	Real Estate -1.42	
	Mid Value -0.58	U.S. Bonds 0.19	Mid Growth -0.43	Large Growth -2.49	Intl Bonds -0.66	Small Growth -2.00	
Low	Intl Equity -0.93	Intl Bonds 0.18	Small Growth -1.04	Mid Growth -2.67	Real Estate -0.95	Mid Growth -2.23	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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