

WEEK IN REVIEW



January 21, 2022

The Bottom Line

- Even with US Markets closed on Monday for Martin Luther King Jr. Day, global equities continued their steady selloff throughout the week.
- As equities continued their sell off, yields jumped yet again. The yield on the 10-Year US Treasury Note rose by +28bps and the yield on the 2-Year was up +33bps for the week.
- Economic data for the week showed manufacturing weakness in New York with Empire Manufacturing missing expectations in a big way, but Philadelphia Fed Business Outlook told a different story for the Northeast. There were also some encouraging readings from the housing sector this week.

Can't Stop, Won't Stop Selling Off

Global equities deepened their rut, with the tech heavy Nasdaq Composite falling -12.04% for the week, now down -11.99% for 2022. Small Cap equities, as measured by the Russell 2000, weren't far behind, losing -11.32% for the week and down -11.46% for the year thus far. The S&P 500 was able to post a slightly better week, but still deeply in the red. The S&P 500 was down -6.94% for the week and -7.73% for the year so far. International equities fared even better than the S&P 500 but are also still in the red for both the week and year to date. European equities, as measured by the STOXX Europe 600, were down -1.77% for the week and -2.74% for 2022. Japanese equities, as measured by the Nikkei-225, were down -4.43% for the week and -4.41% for the year thus far. Market participants are eagerly awaiting the FOMC Rate Decision for next week. Currently, traders are not anticipating any sort of liftoff in the Fed Funds rate, but they will carefully pick over the language and semantics of the press conference to follow the Fed's meeting. Expectations have been set for the tapering process to end in March and for the first hike in interest rates to follow in that same month.

Digits & Did You Knows

SAFE MONEY –From 01/01/2020 (before the pandemic) to 01/05/2022, the size of the money market fund industry in the USA (both taxable and tax-free) rose from \$3.6 trillion to \$4.7 trillion. (source: Bureau Investment Co. Institute, BTN Research).

ESTATE TAXES –The maximum amount that a deceased individual may pass onto his/her heirs federally estate-tax free (with proper planning) rose to \$12.06 million in 2022, up from \$11.7 million in 2021. The limit was \$1 million in 2002 or 20 years ago. (source: Internal Revenue Service , BTN Research).

A LOT FEWER –There were 1.53 million homes for sale nationwide as of 12/31/2018. Nearly 3 years later, there were 1.11 million homes for sale nationwide as of 11/30/2021. (source: National Association of Realtors, BTN Research)

| Market Snapshot | Index Level | 1-week Price Return | 2022 Price Return |
|--------------------|-------------|---------------------|-------------------|
| EQUITIES | | | |
| S&P 500 | 4,397.94 | -6.94% | -7.73% |
| Nasdaq Composite | 13,768.92 | -12.04% | -11.99% |
| Russell 2000 | 1,987.92 | -11.32% | -11.46% |
| Nikkei-225 (Japan) | 27,522.26 | -4.43% | -4.41% |
| STOXX Europe 600 | 474.44 | -1.77% | -2.74% |
| RATES | | | |
| 2-Year UST Note | 1.02 | 33 bps | 28 bps |
| 10-Year UST Note | 1.77 | 28 bps | 26 bps |



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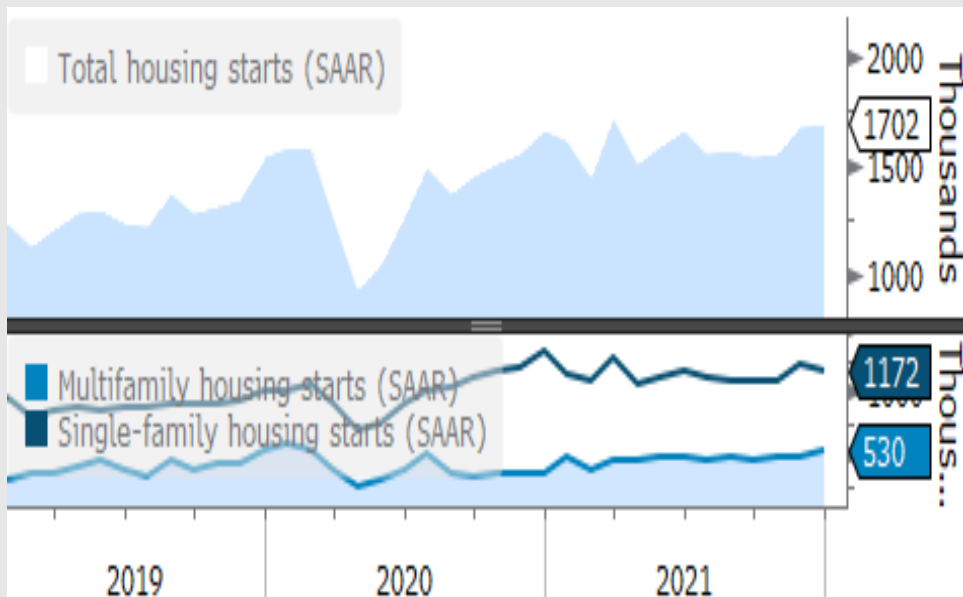


Chart of the Week

Unexpectedly, new home construction in the U.S. strengthened for the month of December and did so at its fastest pace in nine months. Digging into the data, the boost in pace was largely due to an increase in apartment complex projects. This is encouraging, especially since builders have been battling increased raw materials costs and labor market turmoil. All total, residential starts climbed by +1.4% to an annualized rate of 1.70 million, compared to a pace of 1.68 million for the month of November. For last year, construction was started on 1.60 million homes, a 15.6% increase from 2020 and the biggest reading since 2006. Given the currently tight housing market and homes at all time high prices, the question becomes if a combination of rising interest rates and high prices will be enough to dampen demand.

Home Construction Heats Up in the Winter Months

Total Housing Starts (Top), Multifamily vs. Single-family Starts (Bottom)



Source: Commerce Department, Housing & Urban Development, Bloomberg

Economic Rundown

- Disappointing expectations, **Empire Manufacturing** came in well below estimates of 25.0 at -0.7.
- NAHB Housing Market Index** came in slightly below expectations of 84, landing at 83.
- Net TIC Flows** were substantially above the previous reading of \$143.0 billion, coming in for the month of November at \$223.9 billion.
- MBA Mortgage Applications** rose from last week's reading of +1.4%, landing at +2.3%.
- Beating expectations, **Housing Starts** came in at 1.70 million versus expectations of 1.65 million.
- Building Permits** also beat expectations of 1.70 million, landing at 1.87 million.
- Surprising to the downside, **Initial Jobless Claims** were higher than expectations of +225k, coming in at +286k for the week. **Continuing Claims** were also above expectations of 1.56 million, landing at 1.64 million.
- Philadelphia Fed Business Outlook** surprised to the upside, coming in at 23.2 versus expectations of 19.0.

- Existing Home Sales** were softer than expected at 6.18 million, versus estimates of 6.42 million.
- Leading Index** met expectations of 0.8%.

The Week Ahead

| | |
|-----------|--|
| Monday | <ul style="list-style-type: none"> Chicago Fed Nat Activity Index Markit US Manufacturing & Services PMI |
| Tuesday | <ul style="list-style-type: none"> FHFA House Price Index Conf. Board Consumer Confidence Richmond Fed Manufact. Index |
| Wednesday | <ul style="list-style-type: none"> MBA Mortgage Applications Wholesale Inventories New Home Sales FOMC Rate Decision |
| Thursday | <ul style="list-style-type: none"> Initial Jobless Claims Durable Goods Orders GDP Annualized QoQ Pending Home Sales |
| Friday | <ul style="list-style-type: none"> Personal Income & Spending U. Of Mich. Sentiment |



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 -0.49 | Intl Bonds 0.49 | Emg Markets 0.59 | Intl Bonds 0.46 | U.S. Bonds 0.05 | High |
| | | U.S. Bonds -0.61 | Emg Markets 0.43 | U.S. Bonds 0.05 | U.S. Bonds 0.39 | Intl Bonds -0.52 | |
| | | Real Estate -0.90 | U.S. Bonds 0.22 | High Yield Bond -0.19 | High Yield Bond 0.01 | High Yield Bond -0.76 | |
| | | Intl Bonds -1.25 | Intl Equity -0.09 | Intl Bonds -0.22 | Real Estate -0.24 | Emg Markets -2.22 | |
| | | 60/40 Allocation -1.35 | High Yield Bond -0.09 | Intl Equity -0.49 | 60/40 Allocation -0.82 | 60/40 Allocation -2.92 | |
| | | Large Value -1.46 | 60/40 Allocation -0.29 | 60/40 Allocation -0.51 | Intl Equity -1.36 | Intl Equity -3.37 | |
| | | Intl Equity -1.47 | Mid Growth -0.75 | Large Value -0.95 | Large Value -1.40 | Real Estate -3.59 | |
| | | Mid Value -1.72 | Large Value -0.88 | Mid Growth -1.24 | Emg Markets -1.45 | Large Value -4.60 | |
| | | Emg Markets -1.78 | Large Growth -1.08 | Large Growth -1.24 | Small Value -1.45 | Mid Value -5.74 | |
| | | Large Growth -2.31 | Mid Value -1.20 | Real Estate -1.24 | Mid Value -1.46 | Mid Growth -6.79 | |
| | | Small Value -2.44 | Real Estate -1.26 | Mid Value -1.49 | Small Growth -2.28 | Large Growth -7.06 | |
| | | Mid Growth -2.59 | Small Growth -1.54 | Small Growth -1.77 | Mid Growth -2.37 | Small Value -7.29 | |
| Low | | Small Growth -3.67 | Small Value -1.61 | Small Value -1.99 | Large Growth -2.61 | Small Growth -8.95 | 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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