# WEEK IN REVIEW

February 04, 2022

## The Bottom Line

- US Markets recovered some of their losses sustained at the beginning of the year this week but remain in the red year to date.
- Yields rose yet again for the week, the yield on the 2-Year US Treasury note rose +15bps and the yield on the 10-Year US Treasury note was up +14bps for the week.
- Economic data for the week showed that the labor markets shrugged off impacts from the rapid spread of the omicron variant and are running as red hot as inflation. Manufacturing data came in somewhat mixed for the month of January. Next week will be a light week for economic releases, but market participants will be eagerly awaiting updated inflation data with the CPI data release.

## Markets Regain Some Ground

Posting a strong start for the month of February, US markets chipped away at some of their year-to-date losses achieved in January. The S&P 500 rose by +1.55% for the week and Small Cap equities, as measured by the Russell 2000, were even better, up +1.72% for the week. After a bloody month of January for the tech-heavy Nasdaq Composite, the index was able to climb a whopping +2.38% for the week but is still off almost 11% thus far for the year. Japanese equities, as measured by the Nikkei-225, bested the Nasdaq for the week, rising +2.70% and only down -4.69% for the year so far. European equities, as measured by the STOXX Europe 600, was the only index not in the green for the week, down -0.73% this week and -5.26% for the year. US companies are currently in the middle of earnings season, with around 56% of S&P 500 companies having reported fourth quarter results for last year according to Factset. Of these companies that have reported, 76% have reported actual earnings per share above consensus estimates, which is equal to the five-year average, also according to FactSet.

## Digits & Did You Knows

**FED JOBS –** President Biden nominated 3 individuals – Sarah Bloom Raskin, Lisa Cook, and Philip Jefferson – on Friday 01/14/2022 to fill vacant positions on the Fed's 7-member Board of Governors. (source: White House, BTN Research).

**CARS IN DEMAND –** The price of "new vehicles" increased ++11.8% in 2021, dwarfed by the +37.3% increase in the price of "used cars and trucks" last year. (source: Bureau of Labor Statistics, BTN Research).

**THE AVERAGE AMERICAN WORKER–** US private sector workers earned an average of $31.31 per hour as of December 2021. (source: Bureau of Labor Statistics, BTN Research).

| Market Snapshot | Index Level | 1-week Price Return | 2022 Price Return |
|---|---|---|---|
| **EQUITIES** | | | |
| S&P 500 | 4,500.53 | **+1.55%** | **-5.57%** |
| Nasdaq Composite | 14,098.01 | **+2.38%** | **-9.89%** |
| Russell 2000 | 2,002.36 | **+1.72%** | **-10.82%** |
| Nikkei-225 (Japan) | 27,439.99 | **+2.70%** | **-4.69%** |
| STOXX Europe 600 | 462.15 | **-0.73%** | **-5.26%** |
| **RATES** | | | |
| 2-Year UST Note | 1.31 | 15 bps | 58 bps |
| 10-Year UST Note | 1.91 | 14 bps | 40 bps |

QUALIFIED PLAN ADVISORS

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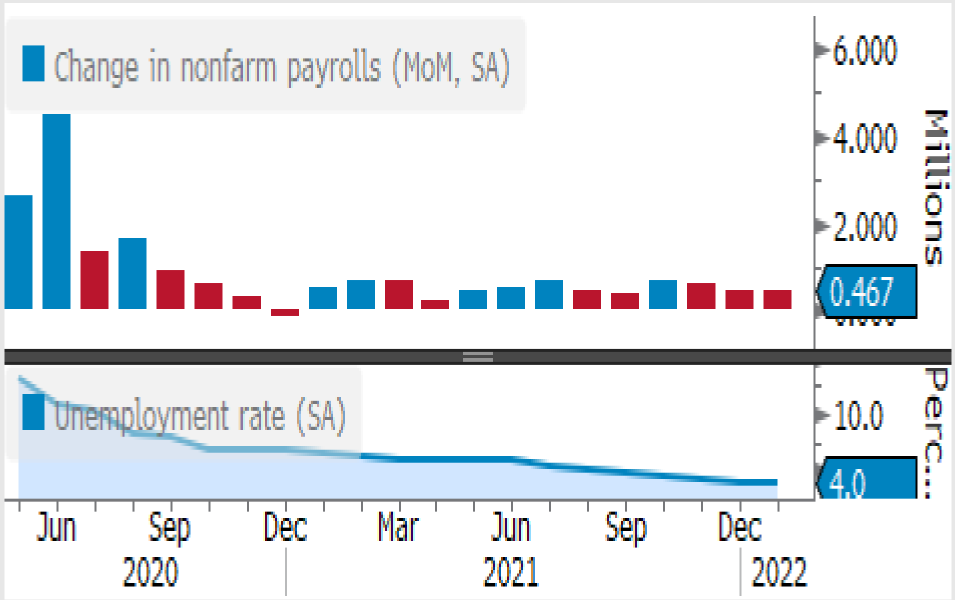
## Chart of the Week

With the Change in Nonfarm Payrolls coming in above expectations of +125k at +425k for the month of January, it appears that omicron's effect on labor markets was muted. Additionally, with Job Openings and Labor Turnover Survey (JOLTS) also coming in above expectations of 10.30 million open jobs at 10.93 million open jobs, it seems that the labor market is much tighter than originally anticipated and looks like it will remain that way for the next several months. The implications surrounding a labor market this tight, combined with red hot inflation, seem to bolster the Fed's recent transition to a more hawkish stance with their call for aggressively fighting inflation. Currently, expectations are set for a 25bps hike in interest rates in March, but recent data may lead the Fed to raise by 50bps.

### Jump In Jobs and Unemployment

Change in nonfarm payrolls (top), Unemployment Rate (bottom)




Source: Bureau of Labor Statistics, Bloomberg

## Economic Rundown

- Coming in above expectations of 61.5, **MNI Chicago PMI** landed at 65.2.
- **Dallas Fed Manf. Activity** was softer than expected at 2.0, survey estimates were looking for 8.0.
- **Wards Total Vehicle Sales** beat expectations of 13.0 million, coming in at 15.04 million for the month of January.
- **Markit US Manufacturing PMI** came in slightly above expectations of 55.0, landing at 55.5.
- Landing softer than expected, **Construction Spending** for the month of December was +0.2%, consensus estimate was looking for +0.6%.
- **ISM Manufacturing** was slightly above expectations of 57.5 at 57.6.
- **ADP Employment Change** missed in a big way, coming in at -301k, expectations were at +180k.
- **Initial Jobless Claims** were slightly below estimates of +245k, coming in at +238k.
- **Factory Orders** missed the mark, coming in at +0.1%, consensus was looking for +0.4%.
- **Durable Goods Orders** were stronger than expectations of -0.9%, landing at -0.7% for the month of December.
- **Change in Nonfarm Payrolls** surprised to the upside, coming in at +467k, survey estimates were at +125k.

## The Week Ahead

| | |
|---|---|
| Monday | • Consumer Credit |
| Tuesday | • NFIB Small Business Optimism<br>• Trade Balance |
| Wednesday | • MBA Mortgage Applications<br>• Wholesale Inventories |
| Thursday | • CPI<br>• Initial Jobless Claims<br>• Monthly Budget Statement |
| Friday | • U. of Mich. Sentiment<br>• Unemployment Rate |

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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 | Small Growth 4.22 | Small Growth 1.32 | Real Estate 1.39 | Intl Bonds -0.06 | Mid Growth 1.40 | Mid Growth 3.44 |
| | Mid Growth 4.21 | Mid Growth 1.05 | Large Value 0.81 | U.S. Bonds -0.40 | Large Growth 1.21 | Emg Markets 2.90 |
| | Emg Markets 3.28 | Intl Equity 0.95 | Intl Equity 0.74 | High Yield Bond -0.90 | Small Growth 0.95 | Small Growth 2.57 |
| | Large Growth 2.93 | Mid Value 0.93 | Large Growth 0.69 | Emg Markets -1.06 | Small Value 0.27 | Large Growth 1.84 |
| | Small Value 1.95 | Small Value 0.91 | Mid Value 0.61 | Large Value -1.07 | Emg Markets 0.25 | Mid Value 1.82 |
| | Mid Value 1.67 | Large Growth 0.78 | Intl Bonds 0.39 | Real Estate -1.26 | Intl Equity 0.24 | Intl Equity 1.79 |
| | Real Estate 1.52 | Large Value 0.73 | 60/40 Allocation 0.34 | 60/40 Allocation -1.26 | Large Value 0.03 | Large Value 1.61 |
| | Intl Equity 1.46 | Emg Markets 0.61 | High Yield Bond 0.15 | Mid Value -1.40 | Mid Value 0.02 | Small Value 1.06 |
| | 60/40 Allocation 1.27 | 60/40 Allocation 0.49 | U.S. Bonds 0.11 | Small Value -1.43 | 60/40 Allocation -0.03 | 60/40 Allocation 0.79 |
| | Large Value 1.12 | High Yield Bond 0.40 | Emg Markets -0.16 | Intl Equity -1.58 | High Yield Bond -0.39 | Intl Bonds 0.20 |
| | Intl Bonds 0.39 | Intl Bonds 0.29 | Mid Growth -0.23 | Small Growth -2.51 | U.S. Bonds -0.63 | Real Estate 0.14 |
| | High Yield Bond 0.02 | U.S. Bonds -0.03 | Small Value -0.61 | Mid Growth -2.90 | Intl Bonds -0.80 | High Yield Bond -0.72 |
| Low | U.S. Bonds -0.01 | Real Estate -0.55 | Small Growth -1.30 | Large Growth -3.66 | Real Estate -0.92 | U.S. Bonds -0.97 |

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.