WEEK IN REVIEW

March 13, 2020

The Bottom Line

- As of Friday evening, there were 145,336 coronavirus cases across 137 countries. 69,000 cases are active and 70,921 cases are recovered. 91% of active cases are classified as "Mild". Total fatalities stands at 5,416.
- Market volatility shot to levels not seen since the Global Financial Crisis, ending the record long 11-year U.S. equity bull market. Bonds, commodities and currencies weren't spared from the wild gyrations.
- Closure or suspension of large swaths of the economy—travel, entertainment, sports leagues—pushed stocks to bear market territory (-20% from February highs), before stimulus measures helped them recover some on Friday.

Global equities sink to bear market levels

It was a not-so-happy-anniversary. Global equities suffered large losses on the week, ending the record long U.S. bull market just one day after it turned 11 years old. The roller coaster ride got even bumpier with volatility at levels not seen since October of 2008. The price change of the S&P 500 Index was up or down about 5% or more every day of the week. The wild week ended with the S&P 500 suffering its largest one-day percentage drop since 1987 on Thursday (-9.5%), just to be followed by its largest single-day gain since 2008 (+9.3%) on Friday. It wasn't just equities that bounced all over the place. Virtually all asset classes had a bumpy ride. The yield on the U.S. 10-year Treasury note fell as low as 0.32%—the lowest in history—on Monday, but ended the week at 0.98%. The price of a barrel of WTI crude oil fell $11 to $31.75 amid a price war initiated by Saudi Arabia. The principal theme gripping markets remains the sustained spread of coronavirus. On Wednesday the World Health Organization officially classified the outbreak as a pandemic. That, and a U.S. restriction on travel from Europe, sent stocks reeling on Thursday. But worldwide fiscal and monetary policy stimulus announcements, as well as President's Trump's declaration of a national emergency on Friday helped stocks recover almost of Thursday's losses.

Digits & Did You Knows

HALF AS MUCH: The total return for the S&P 500 over its 11-year bull market (i.e., 3/10/09 through 3/12/20, or 2,771 trading days) is a gain of +16% per year (total return). If you missed the 20 best percentage gain days over the 11-year bull run, the +16% annual gain is cut nearly in half to an +8.5% annual gain (source: BTN Research).

THE OTHER SIDE: In the first 4-years following its 3/09/09 bear market closing low, the S&P 500 gained +150% through 3/09/13 (i.e., total return result including the impact of reinvested dividends). In years 5-11 (i.e., the next 7 years) from 3/09/13 to last Friday 3/06/20), the S&P 500 has gained an additional +121% (source: Bloomberg).

Market Snapshot	Index Level	1-week Price Return	2020 Price Return
EQUITIES			
S&P 500	2,710.95	**-8.80%**	**-16.09%**
Nasdaq Composite	7,874.88	**-8.17%**	**-12.23%**
Russell 2000	1,209.02	**-16.57%**	**-27.54%**
Nikkei-225 (Japan)	17,431.05	**-15.99%**	**-26.32%**
STOXX Europe 600	299.16	**-18.44%**	**-28.06%**
RATES			
2-Year UST Note	0.50	0 bps	-106 bps
10-Year UST Note	0.98	22 bps	-94 bps

PRIME CAPITAL INVESTMENT ADVISORS

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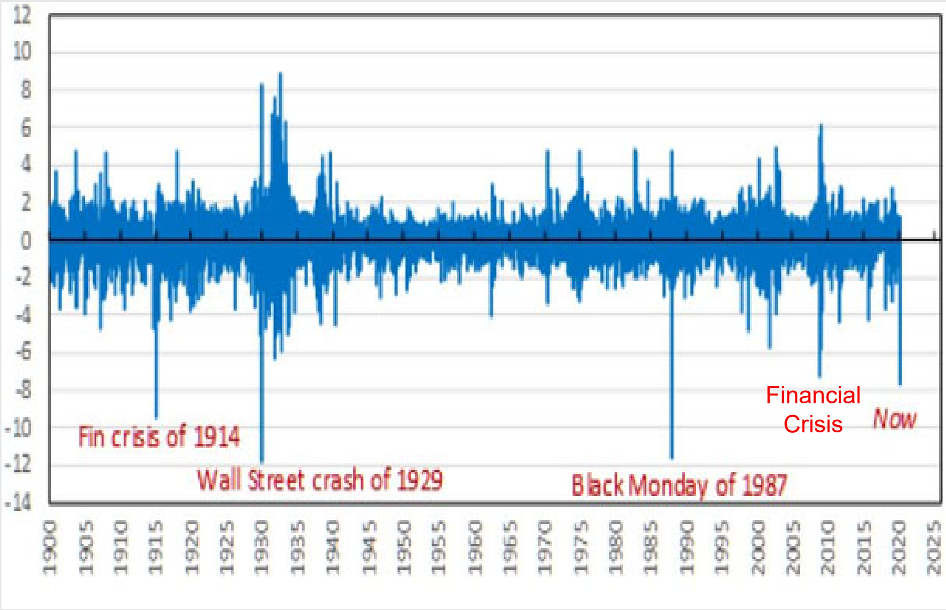
Chart of the Week

With schools and universities out for spring break, and increasingly because of coronavirus closures, it is probably bad form to use a statistical measure like Z-score for the Chart of the Week. Nevertheless, you don't need to know that a z-score is a measure of normalized standard deviation to see that the blue bar furthest to the right on the chart is significantly different than the vast majority of the others, with the clear exception of four other outliers. In technical terms it means markets had an 8 standard deviation weekly decline. In practical terms it means declines like this almost never happen. In fact it has only happened on four other occasions over the last 120 years. In other words, it is a generational event, and one that has come near the bottom of past bear markets.

Dow Jones Industrial Average

Z-Score of Weekly Returns Since 1900



Source: Nomura.

Economic rundown

- The **Conference Board's Employment Trends Index (ETI)** fell -0.8% in Feb. and -1.3% from last year. Deterioration was broad-based with 5 of 8 components negative. If the virus is contained and economic activity normalizes by May, then the downside to labor markets should be limited. But if the economy shuts down through the summer, then layoffs are more likely, especially in travel, entertainment, lodging, food, and hospitality sectors.
- In a pre-coronavirus measurement period, the **NFIB Small Business Optimism Index** lifted a bit in February to 104.5. There was a sizeable pickup in the outlook for the economy, showing that before the outbreak business owners were upbeat about the economy.
- The **Consumer Price Index (CPI)** was up slightly in February, but much weaker demand from coronavirus is putting heavy downward pressure on inflation expectations for the near-term. The P**roducer Price Index (PPI)** dropped 0.6% in February, the most since January 2015, led down by energy.
- The **MBA Refinance Index** surged 78.6% last week, the most since Nov. 2008, and hit its highest level since 2009.
- The **Reuters/U. of Michigan Consumer Sentiment Index** dropped -5.1 points in the initial March estimate, it's first decline since last August, to 95.9. That's a five-month low as coronavirus fears begin to take a toll on consumers.

The Week Ahead

Monday	• Empire Manufacturing • Treasury International Capital (TIC) Flows
Tuesday	• Retail Sales • Industrial Production • Capacity Utilization • JOLTS Job Openings • NAHB Housing Market Index
Wednesday	• MBA Mortgage Applications • Housing Starts & Building Permits • FOMC Rate Decision
Thursday	• Jobless Claims • Current Account Balance • Philadelphia Fed Business Outlook • Conf Bd Leading Economic Indicators (LEIs)
Friday	• Existing Home Sales

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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	U.S. Bonds -0.13	Large Growth 5.49	U.S. Bonds -1.43	Intl Bonds -1.67	Large Growth 8.94	U.S. Bonds -5.09	High
	Intl Bonds -1.31	Emg Markets 5.08	Intl Bonds -1.55	High Yield Bond -4.00	Large Value 8.72	High Yield Bond -5.88	
	High Yield Bond -4.30	Mid Growth 4.75	High Yield Bond -2.18	U.S. Bonds -4.00	Small Value 8.57	Intl Bonds -6.82	
	60/40 Allocation -5.13	Large Value 4.49	60/40 Allocation -3.77	60/40 Allocation -7.66	Real Estate 8.53	Large Growth -7.51	
	Emg Markets -6.83	Mid Value 4.46	Emg Markets -4.66	Large Growth -9.13	Mid Value 7.67	60/40 Allocation -9.52	
	Large Growth -7.09	Real Estate 3.86	Large Growth -4.67	Mid Growth -9.15	Emg Markets 7.21	Emg Markets -9.94	
	Real Estate -7.41	Intl Equity 3.69	Intl Equity -5.10	Real Estate -9.74	Mid Growth 7.15	Mid Growth -10.68	
	Mid Growth -7.51	Small Value 3.11	Mid Growth -5.29	Emg Markets -10.01	Intl Equity 6.05	Real Estate -11.28	
	Intl Equity -7.76	Small Growth 2.80	Large Value -5.37	Large Value -10.02	Small Growth 5.92	Large Value -11.87	
	Small Growth -8.68	60/40 Allocation 2.26	Real Estate -5.82	Mid Value -10.69	60/40 Allocation 5.10	Intl Equity -14.32	
	Large Value -8.89	High Yield Bond 1.54	Mid Value -5.90	Intl Equity -10.99	High Yield Bond 3.14	Mid Value -14.46	
	Mid Value -9.51	U.S. Bonds -1.13	Small Growth -6.46	Small Growth -11.10	U.S. Bonds 1.57	Small Value -16.85	
Low	Small Value -10.39	Intl Bonds -1.38	Small Value -6.53	Small Value -11.32	Intl Bonds -1.11	Small Growth -17.31	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, 18% International Stock, 7% Emerging Markets, 3% Real Estate.