

# WEEK IN REVIEW



PRIME CAPITAL  
INVESTMENT ADVISORS

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## The Bottom Line

- U.S. stocks gained for the third week in a row, albeit just slightly, with the headline S&P 500 Index up +0.6%. U.S. Treasury yields had their largest weekly gain since March.
- In Washington, lawmakers seem unable to advance on a coronavirus stimulus bill. This could drag on for weeks as the Senate is in recess until after Labor Day and House members have already left for the rest of the month.
- Fresh economic data, including unemployment claims and retail spending, continue to suggest the economy is recovering, but at a slower pace, begging the question of whether the recovery can persist without more stimulus.

## Recovery signs persist, but no stimulus yet

U.S. Treasury yields and stocks rose on positive economic data but were tempered by uneasiness surrounding the continued uncertainty regarding the timing, size and scope of a new round of U.S. fiscal relief. Hopes that a fiscal stimulus deal could be reached in August have gone from slim to none as lawmakers have left Capital Hill for the rest of the month. The benchmark 10-year Treasury yield rose 15 basis points to 0.71%, but the biggest move was on the long end of the curve as the yield on 30-year Treasuries rose 24 basis points to 1.45%, their highest level in more than seven weeks. Core consumer prices in the United States (excluding food and energy) jumped the most since January 1991. U.S. Jobless claims dipped below one million for the first time since March. Retail sales, ex-autos, came in stronger than expected, industrial production continued to recover, and Q2 productivity jumped. Former Vice President Joe Biden named his running mate, Sen. Kamala Harris, on Tuesday, clarifying the Democratic presidential ticket. President Trump announced that the United Arab Emirates and Israel agreed to establish formal diplomatic relations after Israel agreed to suspend plans to annex parts of the West Bank.

## Digits & Did You Knows

**FRIDAY NIGHTS** - As of 8/04/20, 28 states have delayed the start of the 2020 high school football season, including 10 states that will begin play in the spring of 2021. However, 4 of the 6 classes of athletic teams in Texas will begin their regular season on 8/27/20 (source: High School Football America, BTN Research).

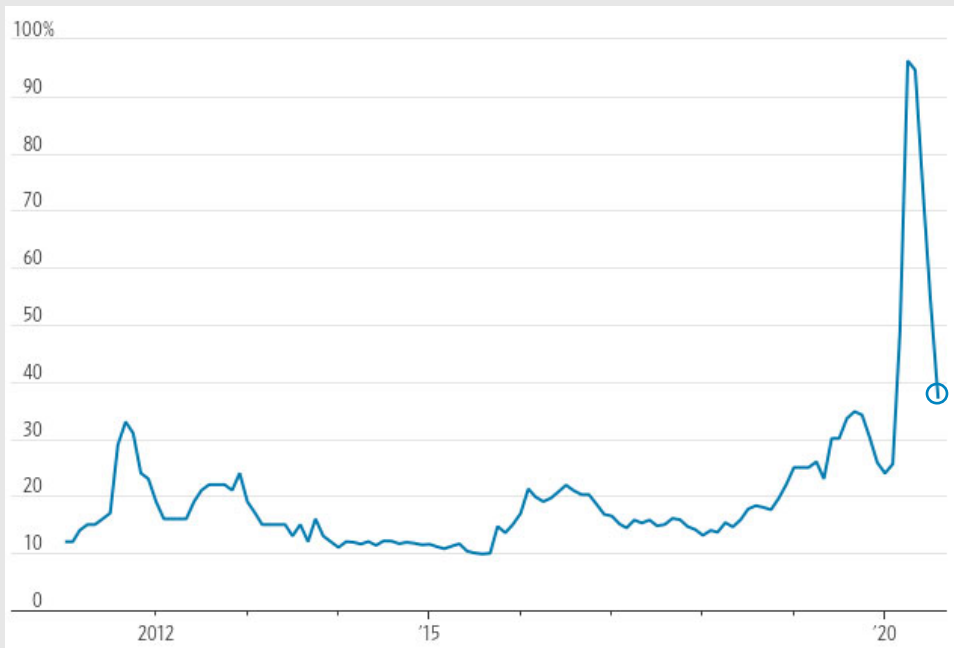
**VIRUS TAX** - California is considering implementing an income tax surcharge effective in 2020 that would levy an extra tax of 1% to as much as 3.5% on incomes in excess of \$1 million. The extra revenue would offset the state's additional expenses incurred in response to the COVID-19 pandemic (source: CA Assembly Bill 1243, BTN Research).

| Market Snapshot    | Index Level | 1-week Price Return | 2020 Price Return |
|--------------------|-------------|---------------------|-------------------|
| <b>EQUITIES</b>    |             |                     |                   |
| S&P 500            | 3,372.85    | +0.64%              | +4.40%            |
| Nasdaq Composite   | 11,019.30   | +0.08%              | +22.81%           |
| Russell 2000       | 1,577.88    | +0.55%              | -5.43%            |
| Nikkei-225 (Japan) | 23,289.36   | +4.30%              | -1.55%            |
| STOXX Europe 600   | 368.07      | +1.24%              | -11.49%           |
| <b>RATES</b>       |             |                     |                   |
| 2-Year UST Note    | 0.15        | 2 bps               | -142 bps          |
| 10-Year UST Note   | 0.71        | 15 bps              | -121 bps          |

### Chart of the Week

Economists surveyed this month by The Wall Street Journal saw the economy rebounding +18.3% on an annualized basis in the third quarter, following the -32.9% drop in the second quarter. That was higher than their July forecast of a +15.2% third-quarter recovery. At the same time they reduced their forecasts for the following four quarters, indicating they foresee a long recovery. An overwhelming majority of economists surveyed said the economic benefits of additional jobless benefits to assist the unemployed outweighed concern that the extra payments could deter people from going back to work. Many economists said the extra payments both boosted spending and partly inhibited people from returning to work.

### Diminishing U.S. Recession Odds



Source: The Wall Street Journal Survey of Economists

### Economic Rundown

- The July **Employment Trends Index (ETI)** is going in the right direction with its third straight monthly gain, up 2.9%, but remains -53.8% below its July 2019 level. Meanwhile, the June **Job Openings & Labor Turnover Survey (JOLTS)** showed job openings increased +9.6% to 5.9 million, but hires fell -7.0% to 6.7 million.
- The July **OECD U.S. Composite Leading Indicator (CLI)** jumped another 1.5 points to 97.5, its third gain in a row.
- The July **NFIB Small Business Optimism** Index fell 1.8 points on concerns about the economy and sales growth.
- In July **Producer Price Index (PPI)** for final demand jumped +0.6% in July, the most since October 2018. **Consumer Price Index (CPI)** spiked +0.6%, the most since June 2009. Both inflation measures were twice what economists forecasted.
- The **Reuters/Univ. of Michigan Consumer Sentiment Index** was essentially flat in August.
- July **Retail Sales** were up +1.2%, the third gain in a row, below expectations for +2.3%, but now above the pre-pandemic high.

- **Initial Jobless Claims** fell -228,000 last week to 963,000, below expectations of 1.1 million, and the lowest level and below one million for the first time since March.
- **Import Prices** rose in July for the third month in a row.

### The Week Ahead

|           |  |
|-----------|--|
| Monday    | <ul style="list-style-type: none"> <li>• NY State Empire Manufacturing</li> <li>• NAHB Housing Market Index</li> <li>• Treasury International Capital (TIC) Flows</li> </ul> |
| Tuesday   | <ul style="list-style-type: none"> <li>• Building Permits</li> <li>• Housing Starts</li> </ul>   |
| Wednesday | <ul style="list-style-type: none"> <li>• MBA Mortgage Applications</li> <li>• FOMC Meeting Minutes</li> </ul>  |
| Thursday  | <ul style="list-style-type: none"> <li>• Jobless Claims</li> <li>• Philadelphia Fed Business Outlook</li> <li>• Conference Board US Leading Index</li> </ul>                 |
| Friday    | <ul style="list-style-type: none"> <li>• Markit Purchase Managers Indices (PMIs)</li> <li>• Existing Home Sales</li> </ul>   |

**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 | <b>Small Value</b><br>2.00      | <b>Intl Bonds</b><br>0.39        | <b>Intl Equity</b><br>2.22      | <b>Mid Growth</b><br>1.06        | <b>Small Value</b><br>0.58       | <b>Intl Equity</b><br>1.84      | High |
|      | <b>Mid Value</b><br>1.36        | <b>Intl Equity</b><br>0.36       | <b>Large Growth</b><br>2.09     | <b>Small Growth</b><br>0.63      | <b>Mid Value</b><br>0.20         | <b>Small Value</b><br>1.60      |      |
|      | <b>Large Value</b><br>0.91      | <b>Small Value</b><br>0.00       | <b>Emg Markets</b><br>1.35      | <b>Large Growth</b><br>0.51      | <b>Intl Bonds</b><br>0.17        | <b>Mid Value</b><br>1.22        |      |
|      | <b>Intl Equity</b><br>0.33      | <b>Mid Value</b><br>-0.08        | <b>Mid Growth</b><br>1.05       | <b>Intl Bonds</b><br>-0.03       | <b>Large Value</b><br>0.07       | <b>Large Value</b><br>0.90      |      |
|      | <b>Emg Markets</b><br>0.25      | <b>Large Value</b><br>-0.10      | <b>Real Estate</b><br>0.97      | <b>High Yield Bond</b><br>-0.27  | <b>Real Estate</b><br>0.01       | <b>Emg Markets</b><br>0.84      |      |
|      | <b>Real Estate</b><br>0.24      | <b>Emg Markets</b><br>-0.27      | <b>60/40 Allocation</b><br>0.79 | <b>Emg Markets</b><br>-0.29      | <b>U.S. Bonds</b><br>-0.09       | <b>Large Growth</b><br>0.38     |      |
|      | <b>60/40 Allocation</b><br>0.19 | <b>U.S. Bonds</b><br>-0.28       | <b>Small Growth</b><br>0.78     | <b>60/40 Allocation</b><br>-0.30 | <b>60/40 Allocation</b><br>-0.16 | <b>60/40 Allocation</b><br>0.21 |      |
|      | <b>Small Growth</b><br>0.08     | <b>60/40 Allocation</b><br>-0.31 | <b>Large Value</b><br>0.64      | <b>U.S. Bonds</b><br>-0.37       | <b>High Yield Bond</b><br>-0.18  | <b>Intl Bonds</b><br>0.11       |      |
|      | <b>High Yield Bond</b><br>0.05  | <b>High Yield Bond</b><br>-0.90  | <b>Mid Value</b><br>0.38        | <b>Intl Equity</b><br>-0.44      | <b>Emg Markets</b><br>-0.18      | <b>Mid Growth</b><br>-0.32      |      |
|      | <b>U.S. Bonds</b><br>-0.09      | <b>Mid Growth</b><br>-0.93       | <b>Intl Bonds</b><br>0.03       | <b>Large Value</b><br>-0.63      | <b>Large Growth</b><br>-0.19     | <b>Small Growth</b><br>-0.40    |      |
|      | <b>Intl Bonds</b><br>-0.45      | <b>Small Growth</b><br>-1.19     | <b>High Yield Bond</b><br>0.02  | <b>Mid Value</b><br>-0.63        | <b>Mid Growth</b><br>-0.52       | <b>U.S. Bonds</b><br>-1.03      |      |
|      | <b>Large Growth</b><br>-0.51    | <b>Real Estate</b><br>-1.45      | <b>Small Value</b><br>-0.03     | <b>Small Value</b><br>-0.93      | <b>Intl Equity</b><br>-0.61      | <b>High Yield Bond</b><br>-1.28 |      |
| Low  | <b>Mid Growth</b><br>-0.96      | <b>Large Growth</b><br>-1.48     | <b>U.S. Bonds</b><br>-0.20      | <b>Real Estate</b><br>-1.14      | <b>Small Growth</b><br>-0.68     | <b>Real Estate</b><br>-1.38     | 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.

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