

WEEK IN REVIEW



PRIME CAPITAL
INVESTMENT ADVISORS

Aug 21, 2020

The Bottom Line

- U.S. equities rose slightly from last as the S&P 500 and Nasdaq each hit fresh all-time highs. The S&P 500 is now up more than +50% from the March 23 pandemic lows.
- The U.S. 10-year Treasury note yield dropped -8 basis points to 0.63% during the week, and mortgage rates remain near historic lows helping housing demand to remain very strong with most aspect of the industry handily beating economists forecasts.
- U.S.-China trade talks are delayed, but not derailed, according to officials in both nations. Trade negotiators said they plan a video meeting soon, but the two sides still haven't picked a new date to resume talks.

U.S. stocks and housing power ahead

U.S. equities rose slightly from last week with the S&P 500 and Nasdaq each marking fresh record closing highs. The S&P 500 Index closed at a new record during the week, an achievement that ended Wall Street's shortest bear market in history and officially started a new bull market. Since hitting a low on March 23, the S&P 500 has risen more than 50%. Another batch of economic data reflected a faster than expected pick-up in multiple parts of the economy, but markets were kept in check by dovish US Federal Reserve language from the minutes of the July monetary policy meeting, worse-than-expected U.S. jobless claims, and a spike in mortgage delinquency rates to a 9-year high. Never the less, housing data continues to crush expectations with strong numbers. Homebuilder confidence jumped to a 35-year record high in August, July housing starts jumped +23% from June (a monthly record gain), building permits popped +19%, the most since 1990, and July Existing Home Sales surged +24% (also a monthly record gain) to a 5.86 million unit pace – the most since 2006. Near record low mortgage rates continue to propel demand. The U.S. 10-year Treasury note yield dropped -8 basis points to 0.63% during the week.

Digits & Did You Knows

ONLY HALF? – In order to approve a vaccine, the Food and Drug Administration requires that a vaccine must be at least 50% effective, i.e., the “yet to be approved” COVID-19 vaccine must prevent half the people who receive the vaccine from becoming infected with the COVID-19 virus (source: Food and Drug Administration, BTN Research).

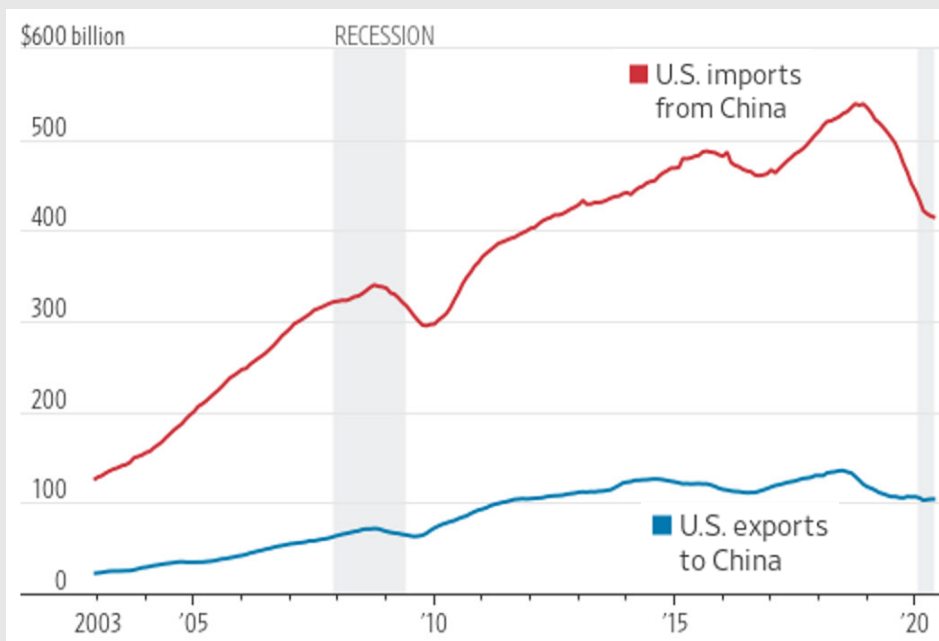
SOME WILL, SOME WON'T – 49% of 1,056 American adults surveyed in mid-May 2020 plan on getting the COVID-19 vaccine as soon as it becomes available. 51% either will not get the vaccine immediately or are not sure what they will do (source: National Opinion Research Center at the University of Chicago, BTN Research).

Market Snapshot	Index Level	1-week Price Return	2020 Price Return
EQUITIES			
S&P 500	3,397.16	+0.72%	+5.15%
Nasdaq Composite	11,311.80	+2.65%	+26.07%
Russell 2000	1,552.48	-1.61%	-6.95%
Nikkei-225 (Japan)	22,920.30	-1.58%	-3.11%
STOXX Europe 600	365.09	-0.81%	-12.20%
RATES			
2-Year UST Note	0.15	0 bps	-142 bps
10-Year UST Note	0.63	-8 bps	-128 bps

Chart of the Week

The Wall Street Journal reports that U.S.-China trade talks are delayed, not derailed. According to officials in both nations, trade negotiators plan a video meeting in the coming days over progress in fulfilling terms of the “Phase One” trade deal and U.S. actions against Chinese technology firms. The talks were thrown into doubt Tuesday night when President Trump said that he had canceled a virtual meeting because of his anger over the way Beijing handled the coronavirus pandemic. In recent months, China has increased purchases of U.S. corn, soybeans and other farm products. But the pace of the purchases, in U.S. dollar terms, is falling short of what is needed to meet the targets, partly due to declining commodity prices from the pandemic. The two sides still haven’t picked a new date to resume talks.

U.S. trade with China, 12-month rolling sum



Source: The Wall Street Journal, Census Bureau

Economic Rundown

- Builder confidence surged to match its highest level of Dec. 1998. The August **NAHB/Wells Fargo Housing Market Index (HMI)** rose +6 points, its third straight rise. All four regions advanced. Separately, July **Housing Starts** and **Building Permits** jumped. Housing starts surged +22.6%, its third straight gain, the most since Oct. 2016, and well above consensus of a +4.6% gain. Permits popped +18.8%, the most since Jan. 1990. July **Existing Home Sales** surged +24%, a 5.86 million unit pace – the largest monthly rise on record, and most since 2006. The **MBA Purchase Index** rose +0.8% last week, but the mortgage delinquency rate spiked to a 9-year high.
- The August **Empire State Manufacturing Index** fell -13.5 points to 3.7, the first decline in four months. The **Empire State Services Index** dropped -15.3 points to -17.1, its sixth straight month in negative territory.
- The **Philly Fed General Business Activity Index** fell -6.9 points in August to 17.2, below the consensus of 20.0.
- The July **Leading Economic Index (LEI)** beat expectations of +1.1% with a +1.4% rise, its third gain in a row. Six of the ten LEI components were positive.

- **Initial Jobless Claims** rose +135,000 to 1.106 million last week, above expectations of 923,000. However, **Continuing Claims** decreased -636,000 to 14.844 million.
- **IHS Markit PMIs** show U.S. business activity at 18-month high, recovering at a healthy pace.

The Week Ahead

Monday	<ul style="list-style-type: none"> • Chicago Fed National Activity Index
Tuesday	<ul style="list-style-type: none"> • FHFA House Price Index • Conference Board Consumer Confidence • New Home Sales • Richmond Fed Manufacturing Index
Wednesday	<ul style="list-style-type: none"> • MBA Mortgage Applications • Durable Goods Orders
Thursday	<ul style="list-style-type: none"> • Jobless Claims • Corporate Profits • Pending Home Sales Index • Kansas City Fed Manufacturing Index
Friday	<ul style="list-style-type: none"> • Personal Income and Spending • Retail & Wholesale Inventories • U. of Michigan Consumer 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	Mid Growth 1.30	Large Growth 0.82	Small Growth 0.20	Large Growth 1.12	Large Growth 0.52	Large Growth 3.04	High
	Emg Markets 1.27	Intl Bonds 0.62	U.S. Bonds -0.15	Real Estate 0.91	Emg Markets 0.50	Mid Growth 0.80	
	Small Growth 1.11	High Yield Bond 0.15	Small Value -0.22	Mid Growth 0.40	Real Estate 0.15	High Yield Bond 0.79	
	Large Growth 1.02	U.S. Bonds 0.14	High Yield Bond -0.28	High Yield Bond 0.33	U.S. Bonds 0.10	U.S. Bonds 0.41	
	Real Estate 0.78	Mid Growth 0.08	Intl Bonds -0.34	U.S. Bonds 0.18	Large Value 0.07	Small Growth 0.30	
	Intl Equity 0.76	60/40 Allocation 0.00	60/40 Allocation -0.43	60/40 Allocation 0.03	High Yield Bond -0.01	Intl Bonds 0.14	
	High Yield Bond 0.59	Intl Equity -0.06	Intl Equity -0.44	Small Growth -0.11	60/40 Allocation -0.03	Emg Markets 0.09	
	60/40 Allocation 0.44	Emg Markets -0.11	Large Value -0.46	Intl Bonds -0.17	Mid Value -0.16	60/40 Allocation 0.02	
	Intl Bonds 0.19	Small Growth -0.23	Large Growth -0.47	Emg Markets -0.32	Intl Bonds -0.17	Real Estate -0.45	
	U.S. Bonds 0.14	Large Value -0.35	Mid Value -0.48	Intl Equity -0.32	Mid Growth -0.25	Intl Equity -0.59	
	Mid Value -0.17	Real Estate -0.47	Mid Growth -0.71	Large Value -0.45	Intl Equity -0.51	Large Value -1.39	
	Small Value -0.19	Mid Value -0.66	Emg Markets -1.23	Mid Value -0.62	Small Growth -0.65	Mid Value -2.07	
Low	Large Value -0.20	Small Value -1.69	Real Estate -1.79	Small Value -0.73	Small Value -0.80	Small Value -3.59	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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