WEEK IN REVIEW

Sept 11, 2020

The Bottom Line

- The S&P 500 and Nasdaq fell for a second straight week and have now lost -4.8% and -7.2%, respectively over that span – the worst two-week stretch for them since March. The Nasdaq is now -10% from its all-time high.
- U.S. inflation inched up in August, with both the headline and core consumer price indices rising 0.4%, slightly above forecasts. But on a year-over-year basis it still below the Fed's 2% inflation target.
- Small Business Optimism rose by more than expected in August with its third gain in the past four months and fueled by a healthy rise in hiring intentions which matched their February pre-COVID levels.

A short but erratic week

The Labor Day-shortened week was characterized by topsy-turvy trading that ultimately ended in the worst week since June for the S&P 500 and the worst week since March for the tech-heavy Nasdaq, which is now down in five of the last seven days. As a result the Nasdaq posted its fastest-ever correction (a -10% decline) on Tuesday and sits -10% from its September 2nd all-time high. Despite the daily swings, the Cboe Volatility Index (VIX) fell to 27.9 from 35 a week ago. The yield for the 10-year U.S. Treasury fell for a second straight week, to 0.67%, down from 0.72% last week. The risk-off tone had plenty of culprits, including elevated U.S.-China relations, another failure to pass a new COVID relief package, a delay in the phase III trial for a leading COVID vaccine, and yet another potential stumbling block in the years-long U.K. Brexit saga. International stocks fared much better, finished as the best performing asset class this week, and was the only positive asset class other than U.S. Bonds. The European Central Bank (ECB) left monetary policy unchanged this week and ECB President Christine Lagarde said GDP won't return to its pre-pandemic levels until 2022.

Digits & Did You Knows

GOING FAST - 68% of the 597,000 existing home sales that took place in the United States in July 2020 were listings that were on the market less than 1 month (source: National Association of Realtors, BTN Research).

JUST GOT MORE EXPENSIVE - Homeowners that refinance their mortgage after 9/01/20 may be subject to a new charge of ½ of 1% on the total loan value. Fannie Mae and Freddie Mac, government sponsored enterprises that buy mortgages from the lenders that originate them, have added a 0.5% fee to refinanced loans they purchase. Lenders are expected to pass the cost onto consumers (source: Fannie Mae, BTN Research).

Market Snapshot	Index Level	1-week Price Return	2020 Price Return
EQUITIES			
S&P 500	3,340.97	-2.51%	+33.27%
Nasdaq Composite	10,853.55	-4.06%	+63.57%
Russell 2000	1,497.27	-2.48%	+11.03%
Nikkei-225 (Japan)	23,406.49	+0.87%	+16.95%
STOXX Europe 600	367.96	+1.67%	+8.98%
RATES			
2-Year UST Note	0.13	-2 bps	-236 bps
10-Year UST Note	0.67	-5 bps	-202 bps

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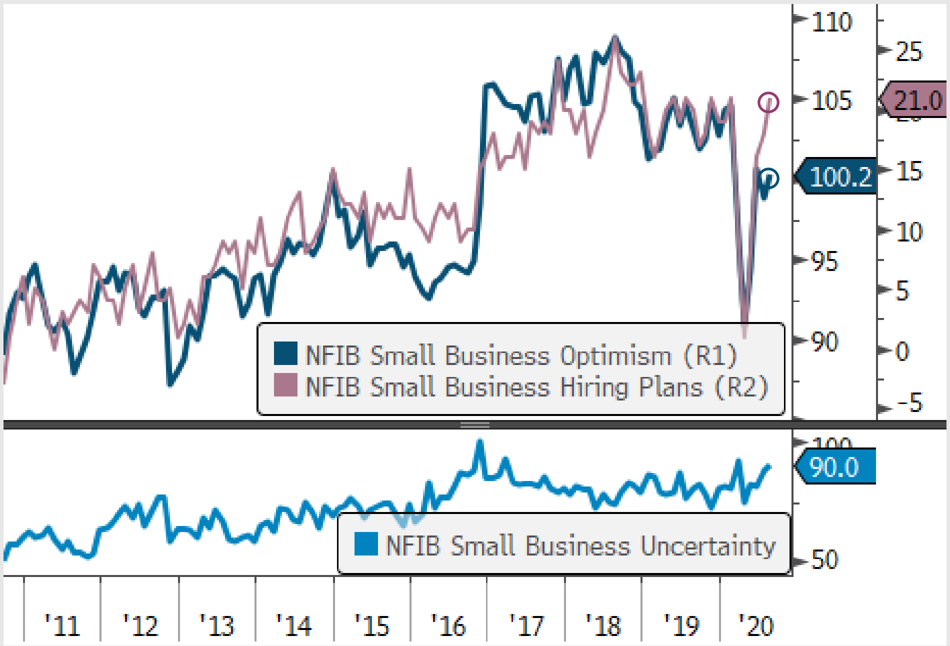
Chart of the Week

The NFIB Small Business Optimism Index rose by more than forecast in August, adding +1.4 points to 100.2, its third gain in the past four months. Hiring plans for the next three months rose nicely to 21, matching its February pre-COVID level. Still, according to the National Federation of Independent Business, business owners remain uncertain about the future. The uptick in hiring plans is a positive sign for continued improvement in the labor market, which has begun to show signs of recovery as the August employment report showed. Seven of the 10 subindexes in the index improved, led by the earnings component. However, the increase in uncertainty indicates business owners remain apprehensive of the potential for COVID-19 to impact demand again.

U.S. Small-Business Optimism Rose in August



Source: National Federation of Independent Business, Bloomberg.

Economic Rundown

- The **OECD U.S. Composite Leading Indicator (CLI)** continued to strengthen from the COVID crisis lows, but the pace of recovery has slowed and CLIs remain below the levels recorded pre-pandemic. The August CLI increased +0.5 points to 97.6, its fourth straight gain.
- The August **Employment Trends Index (ETI)** rose +2.3%, the fourth straight gain as the labor market continued to gradually recover. Six of the eight components improved, led by fewer initial jobless claims. A lot of improvement remains with the index still -52.1% below last year's level.
- The August **Producer Price Index (PPI)** was slightly above expectations at +0.3%. PPI Ex-food and energy also beat forecasts with a gain of +0.4%. Services led the gains matching last month's +0.5% rise to produce the largest two month increase since data started in 2009. The year over year PPI was off -0.2%, the fifth straight decline, and a reminder that there is little inflationary pressure yet.
- The **Consumer Price Index (CPI)** was up +0.4%, its third consecutive gain, beating consensus of +0.3%. Core CPI excluding food and energy also rose +0.4% and also beat the consensus of +0.3%.
- **Initial Jobless Claims** were unchanged from the upwardly revised 884,000 last week, which was the lowest level in six months but a bit higher than expectations of 850,000. **Continuing Claims** rose 93,000 to 13.385 million.
- **Wholesale Inventories** fell -0.3% in July, down in 12 of the last 13 months, and worse than consensus. Still, wholesale sales jumped +4.6%, the third consecutive rise.

The Week Ahead

Tuesday	• Empire Manufacturing • Import & Export Price • Industrial Production, Capacity Utilization
Wednesday	• MBA Mortgage Applications • Retail Sales Advance • FOMC Rate Decision
Thursday	• Jobless Claims • Building Permits • Housing Starts • Philadelphia Fed Business Outlook
Friday	• Conference Bd Leading Economic Index • U. of Mich. Sentiment

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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 0.11	Large Growth 2.81	U.S. Bonds 0.01	Intl Equity 1.00	Intl Equity 0.43	High
		High Yield Bond -0.56	Small Growth 1.98	Intl Bonds -0.21	Emg Markets 0.97	U.S. Bonds 0.23	
		Intl Bonds -0.64	Intl Equity 1.87	High Yield Bond -0.47	Large Value 0.56	High Yield Bond -0.05	
		60/40 Allocation -1.21	Mid Growth 1.70	60/40 Allocation -0.90	Mid Value 0.50	60/40 Allocation -0.81	
		Intl Equity -1.22	Emg Markets 1.49	Small Growth -1.16	60/40 Allocation 0.26	Emg Markets -0.92	
		Real Estate -1.25	Large Value 1.22	Intl Equity -1.17	High Yield Bond 0.20	Intl Bonds -1.02	
		Small Growth -1.47	Mid Value 1.16	Mid Growth -1.19	U.S. Bonds 0.12	Small Growth -1.43	
		Emg Markets -1.74	60/40 Allocation 1.06	Real Estate -1.34	Intl Bonds -0.07	Large Value -1.57	
		Large Value -1.85	Real Estate 0.91	Mid Value -1.40	Small Value -0.42	Mid Value -1.74	
		Mid Value -1.98	Small Value 0.83	Large Value -1.47	Large Growth -0.45	Real Estate -2.23	
		Mid Growth -2.23	High Yield Bond 0.79	Small Value -1.49	Real Estate -0.56	Mid Growth -2.36	
		Small Value -2.27	U.S. Bonds -0.01	Emg Markets -1.61	Mid Growth -0.62	Small Value -3.33	
Low		Large Growth -3.71	Intl Bonds -0.11	Large Growth -1.96	Small Growth -0.76	Large Growth -3.38	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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