WEEK IN REVIEW

October 9, 2020

The Bottom Line

- Negotiations over fiscal stimulus replaced President Trump's case of coronavirus as the story of the week. The administration's willingness to re-engage on stimulus talks provided markets with a dose of optimism.
- Major U.S. stock indices had a second positive week, with weekly returns that were the best since the heart of summer. Volatility dropped and bond yields rose.
- It was a relatively quiet week on the economic front. The housing sector remains a powerhouse with US mortgage rates setting another record low, fueling refinance application volume which jumped +8.2% for the week, and is 50% higher than a year ago.

Stimulus talks take center stage

One week ago, President Trump's case of coronavirus became the story, capping off a tumultuous September. But just a week later, he was back in the White House and the story is seemingly 'old news'. This past week, Wall Street was primarily focused on a singular issue: fiscal stimulus. The on-again, off-again fiscal stimulus negotiations drove headlines, as the White House indicated it is prepared to make a larger relief offer, prompting investor optimism. The S&P 500 and Nasdaq Composite rose +3.8% and +4.6%, respectively, their best weekly performance since early July. The Dow Jones Industrial Average gained +3.3%, its best week since August. That puts the major U.S. indices only about 3% away from their all-time highs. The Russell 2000 small-cap index, which has been a laggard in 2020, jumped +6.4%, its best week since June. Volatility, as measured by the VIX Index, dropped to 25 from 29 the prior Friday. Heading into the new week, markets will turn attention to the start of the third quarter corporate earnings season with the several major banks reporting. JPMorgan Chase, Citigroup, Goldman Sachs, Morgan Stanley and Wells Fargo are among the companies scheduled to post their results in the coming week.

Digits & Did You Knows

DAILY STOCK PUBLICATION – This week in 1896 The Wall Street Journal began continuous daily publication of what would ultimately become known as the Dow Jones Industrial Average, led by such growth stocks as American Cotton Oil and U.S. Leather. The index is now overseen by S&P Dow Jones Indices (source: The Wall Street Journal).

ALL IN THE FAMILY – One political party has controlled the White House, the Senate and the House of Representatives in 22 of the last 60 years, i.e., 1961-2020. Republicans last controlled the White House, the Senate and the House in 2018. Democrats last controlled all three branches in 2010 (source: BTN Research).

Market Snapshot	Index Level	1-week Price Return	2020 Price Return
EQUITIES			
S&P 500	3,477.14	**+3.84%**	**+7.63%**
Nasdaq Composite	11,579.94	**+4.56%**	**+29.06%**
Russell 2000	1,637.55	**+6.38%**	**-1.85%**
Nikkei-225 (Japan)	23,619.69	**+2.56%**	**-0.16%**
STOXX Europe 600	370.35	**+2.11%**	**-10.94%**
RATES			
2-Year UST Note	0.15	2 bps	-142 bps
10-Year UST Note	0.77	7 bps	-114 bps

PRIME CAPITAL
WEALTH MANAGEMENT

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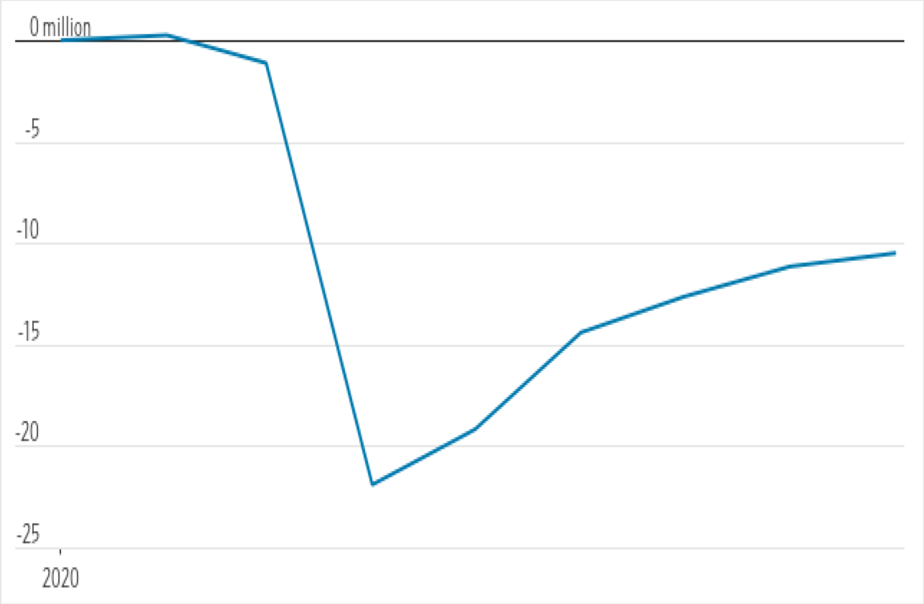
Chart of the Week

More than half of economists polled by The Wall Street Journal this month said they didn't expect the labor market to replace all the jobs lost from the coronavirus-related shutdowns until 2023 or later. That's a slower pace than economists predicted six months ago. Hiring slowed sharply heading into the fall as more layoffs turned permanent, adding to signs that a full recovery from the coronavirus pandemic may be a long endeavor. Economists cited the potential worsening of the Covid-19 crisis as the flu season approaches with no coronavirus vaccine, a lack of new fiscal stimulus, and uncertainty surrounding the election for the more pessimistic expectations. The survey closed before Tuesday when President Trump asked Congress to approve additional aid for airlines, a small-business aid program, and provide direct checks for many Americans.

Change in U.S. employment since the start of the year

Note: Seasonally adjusted



Source: Labor Department, The Wall Street Journal Survey of Economists

Economic Rundown

- The September **ISM Non-Manufacturing Index (NMI)** beat expectations with a +0.9 point increase, to 57.8, for the fourth monthly gain in a row. Results were robust as 16 industries reported growth, while only one contracted. The competing **Markit U.S. Services PMI** fell -0.5 points to 54.6, in line with its preliminary estimate, but still the second-fastest growth rate since March 2019.
- **Light Vehicle Sales** continue to recover with a +7.6% increase in September to a 16.3 million annual rate, the fifth consecutive gain and best level since February. Domestic light truck sales rose +8.4% to a 9.9 million unit annual rate, the highest level since May 2019.
- **Wholesale Inventories** rose +0.4%, most since April 2019.
- The September **Employment Trends Index (ETI)** rose +2.8% in September, the fifth straight monthly gain. All eight of its components made positive contributions.
- The August **Job Openings and Labor Turnover Survey (JOLTS)** showed job openings slip -3%, leaving it -7.3% below the February pre-pandemic levels. But layoffs also fell to a record low level of 1.473 million.
- **Initial Jobless Claims** fell 9,000 to 840,000 last week, above consensus. Continuing claims dropped 1 million to 10.976 million, the lowest levels since late March.
- September's **OECD US Composite Leading Indicator (CLI)** rose for a 5th month, but it was the smallest of those five.

The Week Ahead

Monday	< Columbus Day >
Tuesday	• NFIB Small Business Optimism • Consumer Inflation (CPI) • Monthly Budget Statement
Wednesday	• MBA Mortgage Applications • Producer Inflation (PPI)
Thursday	• Jobless Claims • Empire Manufacturing • Import & Export Prices
Friday	• Retail Sales • Industrial Production, Capacity Utilization • U. of Michigan Consumer Sentiment • Treasury Intl Capital (TIC) Flows

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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 3.04	Emg Markets 0.18	Small Growth 2.11	Small Value 1.60	Large Growth 1.52	Small Growth 6.99	High
	Small Value 2.45	U.S. Bonds 0.09	Small Value 2.06	Real Estate 1.57	Mid Growth 1.33	Small Value 5.80	
	Large Growth 1.96	Intl Bonds 0.08	Mid Growth 2.04	Mid Value 1.45	Small Growth 1.05	Mid Growth 5.44	
	Mid Growth 1.96	Small Growth -0.15	Large Growth 1.85	Large Value 1.31	Intl Equity 0.78	Mid Value 4.36	
	Mid Value 1.92	High Yield Bond -0.23	Mid Value 1.74	Emg Markets 0.82	Intl Bonds 0.78	Emg Markets 4.18	
	Large Value 1.62	Small Value -0.39	Large Value 1.59	Small Growth 0.78	Emg Markets 0.68	Large Growth 4.17	
	Intl Equity 1.52	60/40 Allocation -0.49	Emg Markets 1.10	Intl Equity 0.70	60/40 Allocation 0.45	Large Value 3.81	
	Emg Markets 1.34	Mid Growth -0.55	Intl Equity 0.86	60/40 Allocation 0.61	High Yield Bond 0.22	Intl Equity 2.80	
	60/40 Allocation 0.98	Real Estate -0.63	60/40 Allocation 0.81	Mid Growth 0.57	Large Value 0.17	60/40 Allocation 2.38	
	High Yield Bond 0.75	Mid Value -0.76	High Yield Bond 0.36	Large Growth 0.40	U.S. Bonds 0.03	Intl Bonds 1.46	
	Real Estate 0.56	Large Value -0.91	Real Estate 0.11	Intl Bonds 0.28	Small Value -0.01	High Yield Bond 1.34	
	Intl Bonds 0.39	Intl Equity -1.06	U.S. Bonds -0.07	High Yield Bond 0.22	Mid Value -0.03	Real Estate 1.17	
Low	U.S. Bonds -0.32	Large Growth -1.59	Intl Bonds -0.08	U.S. Bonds 0.13	Real Estate -0.43	U.S. Bonds -0.15	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.