WEEK IN REVIEW

August 27, 2021

The Bottom Line

- The S&P and Nasdaq rose to record levels after Fed Chairman Powell's comments post Jackson Hole Symposium. Small Cap equities were the biggest winner for the week, gaining +5.05% as investors went risk on.
- Treasury yields were volatile leading up to Powell's comments but settled after his dovish tone. The 2-year yield dropped -1 bps, but the 10-year yield climbed +5 bps higher for the week.
- Economic news for the week illustrated that supply constraints haven't abated with orders of goods still outpacing shipments and inflation and delta variant spread is still weighing on consumers' minds.

Powell Soothes Markets

Investors were able to breathe a sigh of relief after Fed Chairman Powell's dovish comments on Fed policy moving forward. Markets were mainly concerned over the tapering of asset purchases leading directly into a rate hike. Powell quelled these fears by clearly stating that tapering did not mean hiking. Rejuvenated by this reassurance, traders resumed a risk on mode sending the S&P and Nasdaq to record highs, the S&P ended the week up +1.52% and the Nasdaq was up +2.82%. The S&P is now at a healthy +20.06% return for 2021 thus far and the Nasdaq isn't far behind at +17.39% YTD. Small Cap equities were the dominant index for the week, up a whopping +5.05% for the week and +15.31% YTD. Powell's comments were heard far and wide with international indexes rising as well. The STOXX Europe 600 gained +0.76% for the week and is now up +18.37% for the year. Troubled Japanese equities were able to catch a bid and returned to positive territory for the year, up +2.32% for the week and now up +0.72% YTD. Yields were ripe with speculation over the Fed's policy and its effect on the economic recovery, but ultimately, the short end of the curve fell -1 bps and the 10-year yield rose +5 bps.

Digits & Did You Knows

MOTHLY BENEFIT — 54 million Americans receive monthly Social Security retirement benefits, including retired workers, dependents of retired workers, and survivors of deceased workers. 42 million Americans receive monthly assistance from the Supplemental Nutrition Assistance Program (SNAP), aka "food stamps". (source: SNAP, BTN Research).

AFGHANISTAN — The United States spent $2.26 trillion during its 20-year presence in Afghanistan in fighting the Taliban, rebuilding the Afghan government, and training the Afghan military. (source: Brown University, BTN Research).

SKIP THE PUMP — There are 43,600 electric vehicle (EV) charging stations in the USA. The $1.2 trillion infrastructure bill passed by the Senate allocates $7.5 billion for additional charging stations. (source: DOE, BTN Research).

Market Snapshot	Index Level	1-week Price Return	2021 Price Return
EQUITIES			
S&P 500	4,509.37	**+1.52%**	**+20.06%**
Nasdaq Composite	15,129.50	**+2.82%**	**+17.39%**
Russell 2000	2,277.15	**+5.05%**	**+15.31%**
Nikkei-225 (Japan)	27,641.14	**+2.32%**	**+0.72%**
STOXX Europe 600	472.34	**+0.76%**	**+18.37%**
RATES			
2-Year UST Note	0.22	-1 bps	10 bps
10-Year UST Note	1.31	5 bps	39 bps

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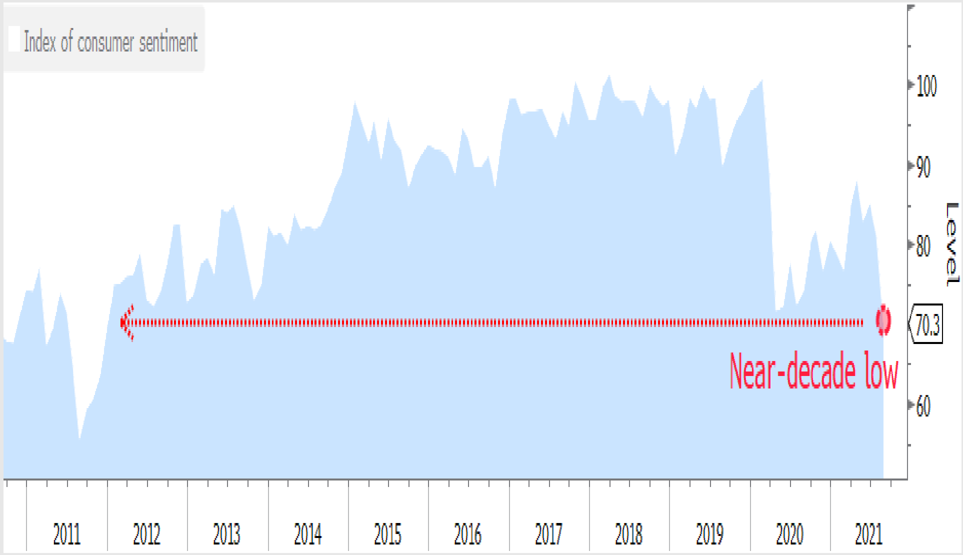
Chart of the Week

Consumer sentiment fell to its lowest level in nearly a decade at the end of August. Sentiment has been buffeted on multiple fronts with consumers feeling the pressure of rising inflation, fears over the spread of the delta variant derailing the recovery, supply chain disruptions, and rising geopolitical tensions. Following a similar trend, a measure of future expectations also dipped from 65.2 to 65.1 in the latter half of the month, its lowest level since 2013. While the Sentiment and Expectations Indexes are measures of emotion, their implications could have a material impact on economic growth. As evidenced by the softer than expected Personal Spending numbers highlighted below, consumers may defer spending in the near term to build up savings for less optimistic times.

Higher Covid Cases, Higher Inflation, Lower Sentiment

University of Michigan's Consumer Sentiment Index



Source: University of Michigan, Bloomberg

Economic Rundown

- **US Manufacturing** and **Services PMI** missed the mark, coming in at 61.2 and 55.2, respectively. Manufacturing survey expectations were looking for 59.2 and Services expectations were at 62.0.
- **Existing Home Sales** for the month of July came in above expectations of 5.83m at 5.99m. Inventory improved slightly, but the housing market remains tight.
- For the first time in four months, **New Home Sales** rose 1% to 708k versus expectations of 697k. Low borrowing costs and a slight increase in inventory acted as boons last month.
- **Durable Goods Orders** came in above expectations of -0.3% at -0.1%.
- **Initial Jobless Claims** missed expectations of 350k, coming in at 353k. **Continuing Claims** were also larger than expectations of 2772k at 2862k.
- **Personal Consumption** was softer than expected at 11.9% versus expectations of 12.2%.
- **GDP Price Index** came in above expectations of 6.0% at 6.1%. **Core PCE** met expectations of 6.1%.
- **Personal Income** came in well above expectations of 0.4% at 1.1%. **Personal Spending** was slightly soft at 0.3% versus expectations of 0.4% and **U. of Mich. Sentiment** came in soft as well at 70.3 versus 70.8 expected.

The Week Ahead

Monday	• Pending Home Sales • Dallas Fed Manufacturing
Tuesday	• FHFA House Price Index • Chicago PMI
Wednesday	• ADP Employment Changes • Markit & ISM Manufacturing PMI
Thursday	• Weekly Jobless Claims • Trade Balance • Factory Orders • Durable Good Orders
Friday	• Nonfarm Payrolls • Unemployment Rate • Markit & ISM Services PMI

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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 2.23	Emg Markets 2.27	Mid Growth 0.77	U.S. Bonds 0.01	Small Growth 2.86	Small Growth 5.63	High
	Emg Markets 1.52	Small Growth 1.11	Mid Value 0.63	High Yield Bond -0.06	Small Value 2.69	Small Value 4.43	
	Small Value 1.43	Mid Growth 1.09	Small Value 0.53	Real Estate -0.12	Mid Growth 1.31	Emg Markets 4.22	
	Mid Growth 1.28	Small Value 0.88	Large Value 0.37	Intl Bonds -0.36	Mid Value 1.28	Mid Growth 3.97	
	Large Growth 1.28	Mid Value 0.69	Small Growth 0.35	60/40 Allocation -0.41	Emg Markets 1.24	Mid Value 2.62	
	Intl Equity 0.93	Large Value 0.31	Large Growth 0.16	Intl Equity -0.52	Large Growth 0.98	Large Growth 2.07	
	Mid Value 0.81	60/40 Allocation 0.31	Emg Markets 0.12	Mid Growth -0.54	Real Estate 0.97	Intl Equity 1.57	
	60/40 Allocation 0.65	Large Growth 0.22	High Yield Bond 0.10	Large Growth -0.58	Intl Equity 0.91	Large Value 1.56	
	Large Value 0.61	Intl Equity 0.21	60/40 Allocation 0.08	Large Value -0.61	Large Value 0.86	60/40 Allocation 1.46	
	Intl Bonds 0.33	High Yield Bond 0.14	Intl Equity 0.04	Mid Value -0.81	60/40 Allocation 0.83	High Yield Bond 0.77	
	High Yield Bond 0.31	Intl Bonds 0.00	Real Estate -0.01	Emg Markets -0.95	Intl Bonds 0.44	Intl Bonds 0.36	
	U.S. Bonds 0.00	U.S. Bonds -0.15	Intl Bonds -0.06	Small Growth -1.00	U.S. Bonds 0.28	Real Estate 0.16	
Low	Real Estate -0.22	Real Estate -0.45	U.S. Bonds -0.19	Small Value -1.14	High Yield Bond 0.27	U.S. Bonds -0.05	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, 31% International Stock, 7% Emerging Markets, 3% Real Estate.

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