WEEK IN REVIEW

October 01, 2021

The Bottom Line

- Equities had their worst day since March of 2020 on Tuesday and losses continued until Friday. Domestic equities rose on Friday, but international equities fell further.
- The 10-Year yield climbed to 1.567% on Tuesday, its highest level since June, but ended the week modestly up +1bps. The 2-year yield fell -1bps for the week.
- The week was jampacked with economic news as the week, month, and quarter ended. GDP and Personal Consumption for Q2 came in just above expectations, but Consumer Confidence reached a seven-month low and jobless claims continued their trend of missing consensus.

Yields Rise, Stocks Fall

As market participants began to price in the Fed's hawkish tone and possible sooner than expected hike in interest rates, the yield in the 10-year treasury began to liftoff. Duration assets, mainly growth equities that lean on the debt market to finance their growth aspirations and longer dated bonds, sold off heavily on Tuesday. The Nasdaq had its worst day since the global pandemic began but was able to trim some losses on Friday. Ultimately, the tech heavy index finished -3.20% for the week. The S&P 500 did not fair much better as it sold off -2.21% for the week. The Russell 2000 fought to gain positive ground for the week on Friday, but sellers ultimately won, the index was down -0.29% for the week. Domestic equities took international equities with them as the greenback rose to its highest level since November of 2020. European equities, as measured by the STOXX Europe 600, were down -2.24% for the week and the Nikkei-225 cut its YTD return in half, down -4.89% for the week after Fumio Kishida was elected to succeed Yoshihide Suga as Prime Minister on Wednesday. While the bloody week on Wall Street left risk assets battered, their healthy YTD returns remain largely intact.

Digits & Did You Knows

IN THE MIDDLE - After adjusting numerical data from the past for the impact of inflation, the US median household income reached an all-time high for 4 consecutive years (2016-2019), peaking at $69,560 in 2019. That streak ended in 2020 when median household income dropped to $67,521. Before 2016, the peak for median household income was $63,423 from 1999 (source: Federal Reserve Bank of St. Louis, BTN Research).

VOTING - With a 220-212 majority in the House (there are 3 vacancies), House Democrats can lose 3 members and still pass legislation on a party line basis, i.e., 3 defections still provides a 217-215 margin(source: House, BTN Research).

Market Snapshot	Index Level	1-week Price Return	2021 Price Return
EQUITIES			
S&P 500	4,357.04	-2.21%	+16.00%
Nasdaq Composite	14,566.70	-3.20%	+13.02%
Russell 2000	2,241.63	-0.29%	+13.51%
Nikkei-225 (Japan)	28,771.07	-4.89%	+4.83%
STOXX Europe 600	452.90	-2.24%	+13.50%
RATES			
2-Year UST Note	0.26	-1 bps	14 bps
10-Year UST Note	1.46	1 bps	55 bps

PRIME CAPITAL
WEALTH MANAGEMENT

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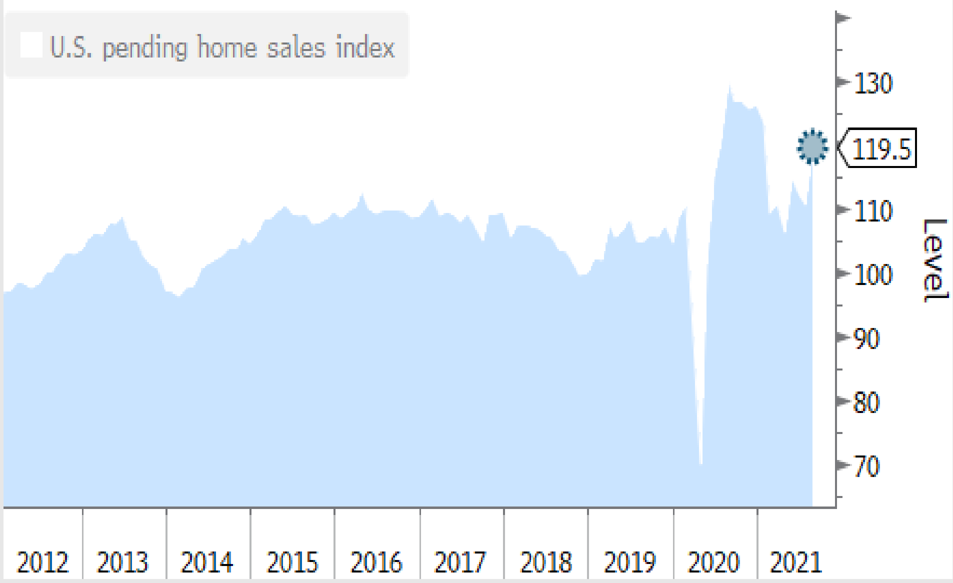
Chart of the Week

Home buyers returned to the market in August after prices moderated. Pending U.S. home sales rose +8.1%, smashing through expectations of +1.4%. While prices moderated after a short slump in demand, they remain elevated near their all-time highs. Median price for existing homes was reported to be $356.7k last week, up +14.9% from a year ago. This lofty price tag remains a major obstacle for prospective home buyers, especially for first-time buyers. If inventories show signs of rising, this could lead to prices stabilizing, but rising material prices and continued labor shortages threaten to derail this stabilization. Furthermore, it appears that "buy the dip" mentality has extended to the housing market with buyers pouncing as soon as prices fall. This could place lasting upward pressure on home prices.

Housing Strengths

U.S. Pending Home Sales Jumps to Seven-Month High



Source: National Association of Realtors, Bloomberg

Economic Rundown

- **Durable Good Orders** reported robust numbers for August, up +1.8% versus consensus of +0.7%, suggesting that the economic recovery is still ongoing.
- **Wholesale Inventories** were up +1.2% versus expectations of +0.8%.
- For the third month in a row and hitting a seven-month low, **Consumer Confidence** fell to 109.3. Expectations were for an increase to 115.0.
- **Mortgage Applications** fell -1.1% from their prior reading of +4.9%.
- **Pending Home Sales** smashed expectations of +1.4% at +8.1%, its first advance in three months.
- **Initial Jobless Claims** disappointed for the third straight week, missing expectations of 330k, coming in at 362k.
- **US GDP** for the second quarter came in slightly above expectations of +6.6% at +6.7% on an annualized quarter-over-quarter basis.
- **Personal Consumption** narrowly beat expectations of 11.9% at 12.0% for the second quarter of the year.
- **Personal Income** came in right on target at +0.2% and **Personal Spending** slightly surprised to the upside, coming in at +0.8% versus expectations of +0.7%.
- **PCE Deflator** came in hotter than expected at +3.6%, versus consensus expectations of +3.5% on the year-over-year measure.

The Week Ahead

Monday	• Factory Orders • Durable Goods Orders
Tuesday	• Trade Balance • Markit US Services PMI • ISM Services Index
Wednesday	• MBA Mortgage Applications • ADP Employment
Thursday	• Weekly Jobless Claims
Friday	• Change in Nonfarm Payrolls • Unemployment Rate • Wholesale Trade Sales

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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 Value 1.98	Intl Bonds -0.37	Real Estate 0.77	Emg Markets 0.80	Small Value 1.82	Small Value 1.42	High
	Small Growth 0.91	U.S. Bonds -0.42	Large Value 0.32	U.S. Bonds -0.02	Mid Value 1.52	U.S. Bonds -0.20	
	Emg Markets 0.65	High Yield Bond -0.46	Mid Value 0.25	Intl Bonds -0.04	Real Estate 1.41	High Yield Bond -0.24	
	Mid Value 0.52	Real Estate -0.71	Small Value 0.20	High Yield Bond -0.11	Small Growth 1.39	Mid Value -0.53	
	Large Value 0.35	Mid Value -1.18	High Yield Bond 0.18	Intl Equity -0.40	Large Value 1.30	Large Value -0.83	
	60/40 Allocation -0.01	Large Value -1.24	U.S. Bonds 0.07	60/40 Allocation -0.44	Large Growth 1.07	Emg Markets -0.89	
	Intl Equity -0.06	Emg Markets -1.29	60/40 Allocation -0.07	Mid Growth -0.54	Mid Growth 0.89	Intl Bonds -1.06	
	High Yield Bond -0.09	60/40 Allocation -1.31	Large Growth -0.09	Large Growth -0.80	60/40 Allocation 0.61	60/40 Allocation -1.22	
	U.S. Bonds -0.14	Small Value -1.48	Intl Equity -0.23	Small Growth -0.83	U.S. Bonds 0.30	Real Estate -1.48	
	Intl Bonds -0.16	Intl Equity -2.18	Mid Growth -0.41	Small Value -1.06	Intl Bonds 0.27	Small Growth -2.10	
	Large Growth -0.86	Large Growth -2.84	Small Growth -0.56	Large Value -1.54	Intl Equity 0.24	Intl Equity -2.62	
	Mid Growth -0.98	Small Growth -2.97	Intl Bonds -0.76	Real Estate -1.56	High Yield Bond 0.24	Large Growth -3.51	
Low	Real Estate -1.36	Mid Growth -3.05	Emg Markets -0.93	Mid Value -1.61	Emg Markets -0.10	Mid Growth -4.06	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.