

# WEEK IN REVIEW



## PRIME CAPITAL INVESTMENT ADVISORS

October 15, 2021

### The Bottom Line

- Equities posted a strong week as earning announcements began to roll in. International equities outperformed U.S. equities, but all major indices were in the green.
- The 10-Year yield fell for the week, down -4bps, but the 2-Year yield jumped up for the week, up +8bps.
- Economic news hinted to some signs of improvement with inflation metrics still showing an increase, but at a slower than expected pace and employment data showed some early signs of strength with jobless claims falling to its lowest level since March of 2020. Sentiment and Optimism remain depressed, however.

### Earnings Kickstarts Equities

As the early reporters for Q3 began announcing their earnings this week, equity markets rose with the solid results thus far. Primarily, the announcements have been centered around mega-sized banks, which have reported robust results from M&A dealmaking activity. The S&P 500 rose +1.82% for the week, but the Nasdaq had an even better week, up +2.18% for the week. Small Cap equities weren't left behind either, with the Russell 2000 posting a solid gain, up +1.46% for the week. International equities were the winners though with Japanese equities outperforming other major indices, the Nikkei-225 was up +3.64% for the week. European equities also outperformed U.S. equities, the STOXX Europe 600 was up +2.65% for the week. Inflation concerns still seem to be top of mind for consumers with sentiment falling and small businesses seem equally hesitant with optimism coming in lighter than expected. Small businesses are still having difficulties finding workers and supply chain hiccups are still adding pressure to prices, but at a slower pace than seen earlier. Producers seem to be passing increased input costs to consumers, but this has been adding to inflationary pressures. Despite increased costs, consumers are still spending as evidenced by the surprise in retail sales.

### Digits & Did You Knows

**IMPACTS MANY PRODUCTS** – Oil prices have gone up +64% YTD, i.e., West Texas Intermediate crude has gone from \$48.52 a barrel as of 12/31/2020 to \$79.35 a barrel as of 10/08/2021. (source: NYMEX, BTN Research).

**WEALTHIEST FAMILIES** – The top 5% of US households own 71% of US equities, while the top 20% of US households own 93% of US equities. (source: Survey of Consumer Finances, Federal Reserve Board, BTN Research).

**SAME FOR YOU?** – The total household net worth in America is up +47% in the last 4 years and is up +89% in the last 8 years. The total US household net worth was \$74.8 trillion as of 06/30/13, was \$96.2 trillion as of 6/30/17, and was \$141.7 trillion as of 06/30/21. (source: Federal Reserve, BTN Research).

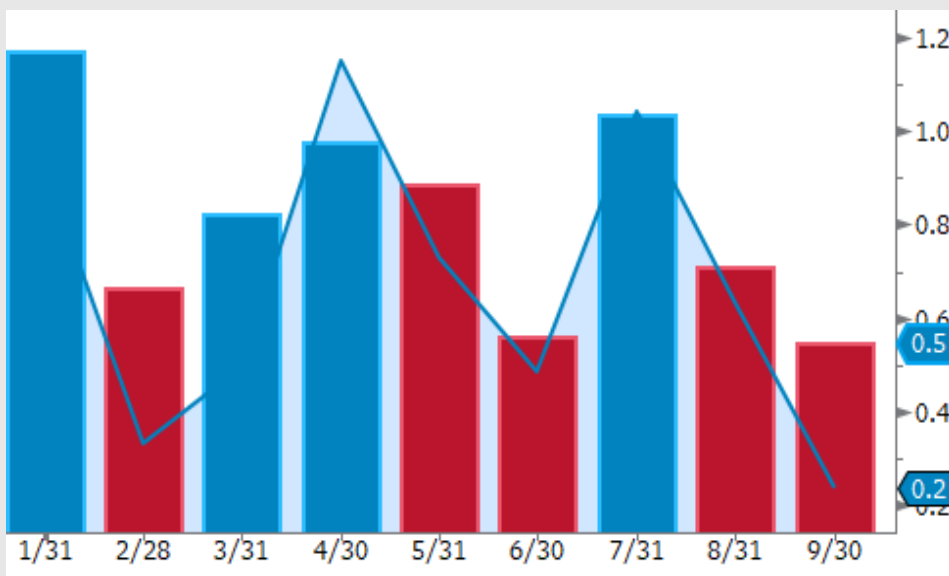
Market Snapshot	Index Level	1-week Price Return	2021 Price Return
<b>EQUITIES</b>			
S&P 500	4,471.37	+1.82%	+19.04%
Nasdaq Composite	14,897.34	+2.18%	+15.59%
Russell 2000	2,265.65	+1.46%	+14.73%
Nikkei-225 (Japan)	29,068.63	+3.64%	+5.92%
STOXX Europe 600	469.39	+2.65%	+17.63%
<b>RATES</b>			
2-Year UST Note	0.39	8 bps	27 bps
10-Year UST Note	1.57	-4 bps	66 bps

### Chart of the Week

While prices paid to producers still rose for the month of September, the increase was at its slowest pace of the year thus far. This was primarily due to a decrease in services costs as consumers consumed more goods than services, as evidenced by the stronger than expected retail sales. Services rose just +0.2%, the smallest gain since the previous quarter. Specifically, travel related services, airline and rental car prices, decreased dramatically from their recent highs. Prices for goods on the other hand, rose +1.3% for last month. Part of this increase, around 40%, was due to higher energy costs. This increase in goods prices reflects the struggles producers are currently wading through with supply chain interruptions and labor and materials shortages. The increased costs in goods has largely been passed a long to consumers thus far.

### Cooling Cost Pressures

PPI Final Demand and Core PPI, ex Food & Energy (MoM)



Source: Bureau of Labor Statistics, Bloomberg

### Economic Rundown

- **NFIB Small Business Optimism** came in softer than expected at 99.1 versus expectations of 99.5.
- **JOLTS** fell from its recent highs of 10.9 million to 10.4 million open positions.
- **MBA Mortgage Applications** rose +0.2% after falling -6.9% in the previous week.
- After removing the volatile food and energy components from headline **CPI**, **Core CPI** landed right at expectations of +0.2%.
- **Avg. Hourly Earnings** fell by -0.8% and the previous reading was revised further down from -0.9% to -1.1%.
- **Jobless Claims** fell to their lowest level since March of 2020 beating expectations of 320k, coming in at 293k. **Continuing Claims** also beat expectations of 2.6 million, landing at 2.5 million.
- **Core PPI** came in below expectations of +0.5% at +0.2%.
- **Retail Sales** surprised to the upside, coming in at +0.8% versus expectations of 0.5%, primarily driven by increased consumer goods purchases.

- **U. of Michigan Sentiment** came in softer than expected at 71.4 versus expectations of 73.1.
- **Import Price Index** came in below expectations of +0.6% at +0.4% and **Export Price Index** was softer as well at +0.1% versus expectations of +0.7%.

### The Week Ahead

Monday	<ul style="list-style-type: none"> <li>• Monthly Budget Statement</li> <li>• Industrial Production</li> <li>• Net TIC Flows</li> </ul>
Tuesday	<ul style="list-style-type: none"> <li>• Housing Starts</li> <li>• Building Permits</li> </ul>
Wednesday	<ul style="list-style-type: none"> <li>• MBA Mortgage Applications</li> <li>• U.S. Fed Beige Book</li> </ul>
Thursday	<ul style="list-style-type: none"> <li>• Weekly Jobless Claims</li> <li>• Existing Home Sales</li> <li>• Leading Index</li> </ul>
Friday	<ul style="list-style-type: none"> <li>• Markit U.S. Manufacturing PMI</li> <li>• Markit U.S. Services PMI</li> </ul>

**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	Real Estate 0.27	Real Estate 1.36	Emg Markets 1.39	Mid Growth 1.85	Emg Markets 1.21	Real Estate 3.72	High
	U.S. Bonds -0.16	Small Growth 0.79	Mid Growth 1.23	Large Growth 1.71	Intl Equity 0.83	Mid Growth 3.47	
	Emg Markets -0.20	Mid Growth 0.70	Intl Equity 0.99	Mid Value 1.69	Large Growth 0.81	Large Growth 2.61	
	High Yield Bond -0.31	U.S. Bonds 0.37	Small Growth 0.73	Large Value 1.58	Large Value 0.62	Intl Equity 2.56	
	Intl Equity -0.32	Small Value 0.34	Large Growth 0.72	Small Growth 1.49	60/40 Allocation 0.28	Emg Markets 2.20	
	60/40 Allocation -0.36	Mid Value 0.26	Real Estate 0.70	Real Estate 1.35	Mid Growth 0.23	Small Growth 2.02	
	Intl Bonds -0.41	High Yield Bond 0.19	Intl Bonds 0.64	Small Value 1.25	Mid Value 0.17	Mid Value 1.82	
	Mid Value -0.50	60/40 Allocation 0.16	60/40 Allocation 0.55	Intl Equity 0.99	Real Estate -0.02	60/40 Allocation 1.50	
	Small Value -0.53	Intl Equity 0.05	High Yield Bond 0.27	60/40 Allocation 0.87	Intl Bonds -0.14	Large Value 1.34	
	Mid Growth -0.59	Large Growth -0.03	U.S. Bonds 0.23	High Yield Bond 0.56	High Yield Bond -0.17	Small Value 1.00	
	Large Growth -0.62	Large Value -0.14	Mid Value 0.20	Intl Bonds 0.48	Small Value -0.22	High Yield Bond 0.53	
	Small Growth -0.63	Intl Bonds -0.24	Small Value 0.16	Emg Markets 0.31	U.S. Bonds -0.24	U.S. Bonds 0.39	
Low	Large Value -0.81	Emg Markets -0.51	Large Value 0.10	U.S. Bonds 0.19	Small Growth -0.35	Intl Bonds 0.33	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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