

WEEK IN REVIEW



PRIME CAPITAL INVESTMENT ADVISORS

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The Bottom Line

- U.S. equities continue their grind higher with the S&P 500 hitting fresh highs during the week. International equities were mixed for the week.
- Like equities, yields grinded higher, the 10-Year yield was up +7bps, and the 2-Year yield +6bps for the week.
- Economic news showed that supply chain constraints and labor shortages are still broadly affecting the economy with housing starts, building permits, and manufacturing activity retreating, but service activity has shown some signs of expanding.

New Highs Yet Again

The S&P 500 set a new intraday record on Thursday before retreating from its new high, which continued into the Friday session and took the Nasdaq with it. Despite the selling pressure at the end of the week, the Nasdaq rose +1.29% for the week and the S&P 500 was up +1.64%. Around 23% of the S&P 500 has reported earnings so far, most of whom have reported stellar results and added a tailwind to the index. Small caps weren't terribly far behind the large caps, with the Russell 2000 up +1.13% for the week. International markets were more tepid as the Nikkei-225 fell -0.91% for the week, and European equities were somewhat muted as well, up +0.53% for the week. Fed Chairman Powell spoke on Friday, admitting that ongoing supply chain constraints could continue to add upward pressure on inflation, which may accelerate the Fed's timeline for withdrawing economic support. Chairman Powell also made a comment that the timeline for tapering asset purchases before the end of the year is still intact, with next month likely being the starting point. Labor shortages and supply chain constraints seem to be the only thing holding back economic progress as covid-19 cases continue to decline as vaccination efforts continue to show progress.

Digits & Did You Knows

BOOM – The Nobel Prize for Economics has been awarded by the Royal Swedish Academy of Sciences since 1968. This year's winners (3 Americans) will split the prize, worth approximately \$1.2 million. Alfred Nobel created the annual prizes across multiple disciplines at his death in 1896. Nobel made his fortune by inventing dynamite. (source: Nobelprize.org, BTN Research).

REDUCED NOT ELIMINATED – Social Security trustees announced on 8/31/21 that unless financial changes are implemented, the payment of Social Security benefits would drop to 76% of their originally promised levels beginning in 2033 through the year 2095. (source: Social Security Trustees 2021 Report, BTN Research).

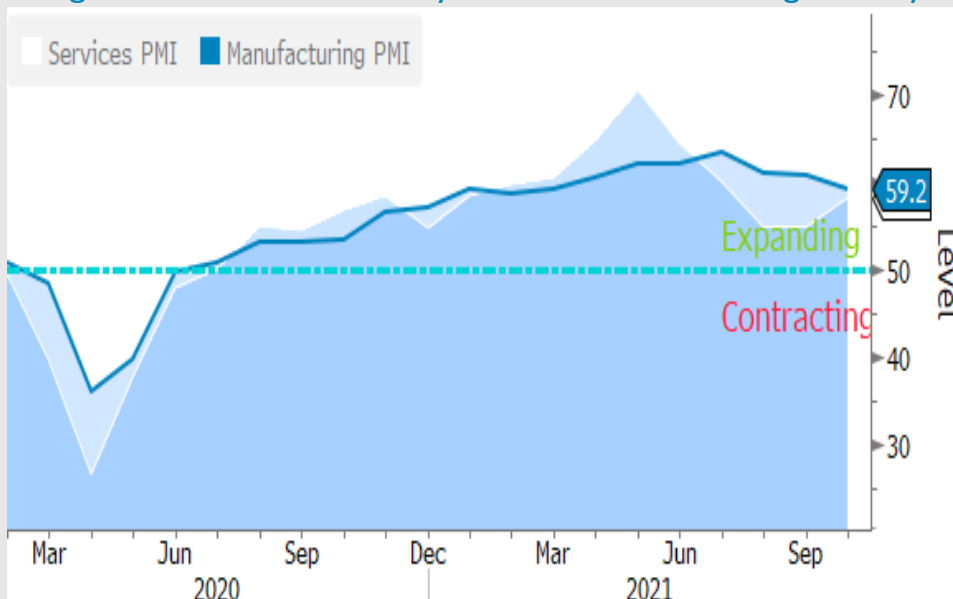
Market Snapshot	Index Level	1-week Price Return	2021 Price Return
EQUITIES			
S&P 500	4,544.90	+1.64%	+21.00%
Nasdaq Composite	15,090.20	+1.29%	+17.08%
Russell 2000	2,291.27	+1.13%	+16.02%
Nikkei-225 (Japan)	28,804.85	-0.91%	+4.96%
STOXX Europe 600	471.88	+0.53%	+18.26%
RATES			
2-Year UST Note	0.46	6 bps	34 bps
10-Year UST Note	1.64	7 bps	73 bps

Chart of the Week

Labor and supply chain constraints continue to pull manufacturing activity down, the IHS Markit PMI fell to a 7-month low of 59.2 but remains healthily above the 50-level indicating that activity is continuing to boom. While manufacturing is retreating, service activity has expanded. The IHS Services PMI rose to 58.2, up from the previous month's reading of 54.9. This increase in services could be due to the continuing vaccination efforts and thus decline in Covid-19 cases as consumers begin to gain confidence and remerge from their homes. Despite service activity showing signs of expansion, they are also showing signs of increasing cost pressure. Service providers have been forced to offer higher wages to attract and retain workers, putting them in a similar camp as manufacturers.

Services Overtake Production

Gauge of U.S. Service Activity vs. U.S. Manufacturing Activity



Source: IHS Markit, Bloomberg

Economic Rundown

- Storm related outages hurt **Industrial Production** last month, coming in well below expectations of +0.1% at -1.3%.
- **Net TIC Flows** fell from the previous reading of \$126.0 billion to \$91.0 billion.
- Both **Housing Starts** and **Building Permits** retreated last month. **Housing Starts** fell -1.6%, versus flat expectations and **Building Permits** fell -7.7% versus expectations of -2.4%.
- **MBA Mortgage Applications** fell from the previous reading of +0.2% to -6.3%.
- Continuing the trend, **Jobless Claims** beat expectations of 297k, coming in at 290k.
- **Existing Home Sales** rose by more than the forecasted 6.10 million, landing at 6.29 million.
- The **Leading Index** landed softer than expected, come in at +0.2% versus survey estimates of +0.4%.
- **Markit U.S. Manufacturing PMI** remains elevated at 60.5, slightly below the previous reading of 60.7.

- **Markit U.S. Services PMI** strengthened from the previous reading of 54.9 at 55.2.
- The Fed's **Monthly Budget Statement** indicated that the deficit was larger than anticipated at -\$61.5 billion, expectations were for -\$59.0 billion.

The Week Ahead

Monday	<ul style="list-style-type: none"> • Chicago Fed Nat Activity • Dallas Fed Manf. Activity
Tuesday	<ul style="list-style-type: none"> • FHFA House Price Index • New Home Sales • Conf. Consumer Board of Confidence
Wednesday	<ul style="list-style-type: none"> • MBA Mortgage Applications • Wholesale Inventories • Durable Goods Orders
Thursday	<ul style="list-style-type: none"> • Weekly Jobless Claims • GDP Annualized • Personal Consumption
Friday	<ul style="list-style-type: none"> • Employment Cost Index • Personal Income & Spending • MNI Chicago PMI

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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	Large Growth 0.93	Emg Markets 1.33	Real Estate 1.49	Mid Growth 1.11	Intl Equity 0.60	Real Estate 2.66	High
	Mid Growth 0.88	Large Value 0.78	Small Value 0.94	Large Growth 0.75	Real Estate 0.54	Mid Growth 2.31	
	Real Estate 0.23	Large Growth 0.72	Large Value 0.92	Small Growth 0.56	Intl Bonds 0.45	Large Growth 1.77	
	Mid Value 0.08	Small Growth 0.64	Mid Value 0.92	Real Estate 0.16	Mid Value 0.28	Mid Value 1.74	
	Small Growth 0.03	Intl Equity 0.60	Intl Equity 0.35	Small Value 0.01	Large Value 0.22	Large Value 1.54	
	60/40 Allocation -0.04	Mid Value 0.50	Intl Bonds 0.34	Mid Value -0.04	U.S. Bonds 0.19	Small Growth 1.13	
	High Yield Bond -0.05	Mid Growth 0.49	Small Growth 0.30	Large Value -0.12	60/40 Allocation 0.14	Small Value 0.86	
	U.S. Bonds -0.07	60/40 Allocation 0.33	60/40 Allocation 0.27	60/40 Allocation -0.14	Small Value -0.14	Intl Equity 0.65	
	Small Value -0.08	Real Estate 0.22	Mid Growth 0.17	U.S. Bonds -0.21	Emg Markets -0.21	60/40 Allocation 0.57	
	Intl Bonds -0.17	Intl Bonds 0.17	High Yield Bond 0.03	High Yield Bond -0.25	High Yield Bond -0.24	Intl Bonds 0.20	
	Emg Markets -0.25	Small Value 0.14	Emg Markets -0.02	Intl Equity -0.47	Mid Growth -0.35	Emg Markets 0.19	
	Large Value -0.28	High Yield Bond 0.07	U.S. Bonds -0.07	Intl Bonds -0.59	Small Growth -0.40	High Yield Bond -0.44	
Low	Intl Equity -0.43	U.S. Bonds -0.29	Large Growth -0.13	Emg Markets -0.65	Large Growth -0.50	U.S. Bonds -0.45	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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