

WEEK IN REVIEW



PRIME CAPITAL INVESTMENT ADVISORS

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The Bottom Line

- U.S. Equities shrugged off a miss on GDP and mega cap tech earnings disappointments and the S&P 500 and Nasdaq set fresh highs.
- The yield on 2-year treasuries popped +5bps for the week, but the 10-year yield fell -7bps.
- The week was a flurry of economic releases, with GDP and Personal Income coming in softer than expected. FHFA House Price Index was also below estimates, but New Home Sales came roaring back and Consumer Confidence showed some signs of strengthening. Focus will likely shift to next week's FOMC Rate Decision meeting and employment releases.

Mega Tech Earnings Miss Doesn't Spook Markets

Despite Q3 GDP coming in softer than expected and both Amazon and Apple, two of the U.S.'s largest companies, missing earnings' expectations, markets pushed higher for the week, especially towards the end of Friday's trading session when the FDA announced approval of a COVID-19 shot for young children (ages 5-11). The S&P 500 logged a healthy week up +1.33% and set an intraday and new closing high. The Nasdaq posted a very strong week, up +2.71% and was also able to eke out a record high as well. Small caps were more muted for the week, but the Russell was still up +0.26%. International markets were also in the green for the week, but more tepid than domestic indices. The STOXX Europe 600 was up +0.77% and the Nikkei-225 was modestly up +0.30% for the week. With trading sessions for the month of October officially in the books, market participants will begin to shift their focus to economic releases coming out next week. The Fed is expected to announce a start date for the tapering of asset purchases at the FOMC Rate Decision meeting next Wednesday and official government employment data is set to be released on Friday.

Digits & Did You Knows

YOU KNOW WHY – 35 million Americans got the flu during the 2019-2020 flu season, i.e., November 2019 through May 2020. Just 2,000 Americans got the flu during 2020-2021 flu season. (source: The Atlantic, BTN Research).

TWO-THIRDS – As of Friday 10/22/2021, 219 million Americas out of our 333 million population (66%) have received at least one dose of a COVID-19 vaccine approved by the FDA. (source: USAFacts.org, BTN Research).

HERE AT HOME – The US population grew by +7.4% during the decade of the 2010s (2010-2019), our nation's lowest percentage growth rate in any decade since the 1930s. (source: Census Bureau, BTN Research).

Market Snapshot	Index Level	1-week Price Return	2021 Price Return
EQUITIES			
S&P 500	4,605.38	+1.33%	+22.61%
Nasdaq Composite	15,498.39	+2.71%	+20.25%
Russell 2000	2,297.19	+0.26%	+16.32%
Nikkei-225 (Japan)	28,892.69	+0.30%	+5.28%
STOXX Europe 600	475.51	+0.77%	+19.17%
RATES			
2-Year UST Note	0.50	5 bps	38 bps
10-Year UST Note	1.57	-7 bps	65 bps

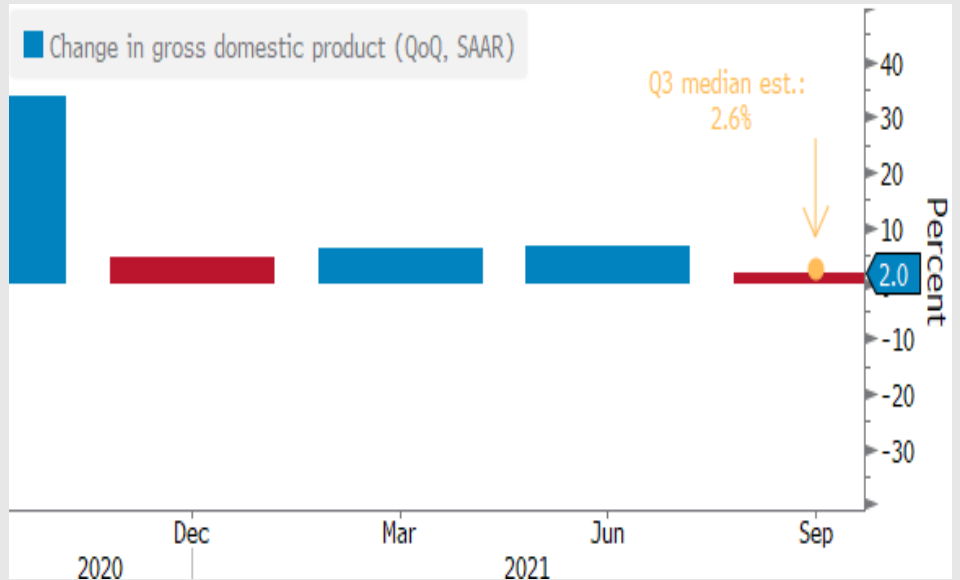


Chart of the Week

Economic growth for the United States cooled off more than expected with GDP QoQ coming in at +2.0% versus expectations of +2.6% for the third quarter of the year. This is the slowest expansion the economy has had since the start of the pandemic. Soft personal consumption was the main culprit for the slowdown in economic activity, coming in at +1.6%, which beat median estimates of +0.9%, but fell vastly below the previous reading of +12%. Demand seems to remain at elevated levels but has been choked off by the continued supply and labor constraints that have plagued producers all year. Traditionally a tepid quarter anyway, market participants took the numbers in stride on Thursday with the S&P 500 rising, the dollar fell, and treasury yields were largely unchanged for the day.

Growth Falters in Q3

U.S. GDP Cools to 2.0% On Weaker Consumption



Source: Bureau of Economic Analysis, Bloomberg

Economic Rundown

- **Chicago Fed Nat. Activity** surprised to the downside and contracted -0.13 versus expectations of +0.20.
- **Dallas Fed Manf. Activity** came in strong at +14.6 versus survey expectations of +6.0
- **FHFA House Price Index** came in softer than expected at +1.0% versus expectations of +1.5%.
- Surprising to the upside, **New Home Sales** came in stronger than expected at +14.0% versus expectations of +2.2% on a month over month basis.
- **Conf. Board Consumer Confidence** landed much stronger than anticipated, coming in at 113.8 versus expectations of 108.0.
- Coming in slightly above expectations, **Wholesale Inventories** were up +1.1%, consensus estimates were looking for +1.0%.
- **Durable Goods Orders** fell by a smaller amount than anticipated, -0.4% versus estimates of -1.1%.
- Continuing the trend, **Jobless Claims** set a pandemic low, coming in at 281k versus expectations of 288k.

- **GDP** missed the mark, landing at +2.0% versus estimates of +2.6%.
- **Personal Income** fell beyond expectations of -0.3%, coming in at -1.0%. **Personal Spending** met expectations of +0.6%.

The Week Ahead

Monday	<ul style="list-style-type: none"> • Markit US Manufacturing PMI • Construction Spending • ISM Manufacturing
Tuesday	<ul style="list-style-type: none"> • Wards Total Vehicle Sales
Wednesday	<ul style="list-style-type: none"> • MBA Mortgage Applications • ADP Employment Change • Durable Goods & Factory Orders • FOMC Rate Decision
Thursday	<ul style="list-style-type: none"> • Weekly Jobless Claims • Trade Balance • Langer Consumer Confidence
Friday	<ul style="list-style-type: none"> • Change in Nonfarm Payrolls • Unemployment Rate

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 1.09	Real Estate 0.30	U.S. Bonds 0.33	Small Growth 2.34	Mid Growth 0.64	Large Growth 2.67	High
	Small Value 0.95	Intl Equity 0.20	Intl Bonds 0.16	Small Value 1.64	Large Growth 0.52	Small Growth 1.15	
	Large Growth 0.82	U.S. Bonds 0.18	Large Growth 0.03	Mid Value 1.32	Small Growth 0.13	Mid Growth 0.53	
	Emg Markets 0.52	Large Growth 0.15	High Yield Bond -0.08	Mid Growth 1.29	U.S. Bonds -0.03	U.S. Bonds 0.51	
	Mid Growth 0.36	High Yield Bond 0.02	60/40 Allocation -0.39	Real Estate 1.16	Large Value -0.10	60/40 Allocation 0.17	
	Real Estate 0.32	Intl Bonds 0.02	Intl Equity -0.40	Large Growth 1.12	Small Value -0.17	High Yield Bond 0.10	
	60/40 Allocation 0.21	60/40 Allocation 0.01	Emg Markets -0.81	Intl Equity 0.97	High Yield Bond -0.26	Intl Equity -0.01	
	Mid Value 0.20	Large Value -0.02	Real Estate -0.91	Large Value 0.91	60/40 Allocation -0.27	Real Estate -0.16	
	Large Value 0.19	Mid Value -0.32	Mid Growth -1.27	60/40 Allocation 0.62	Mid Value -0.35	Large Value -0.41	
	High Yield Bond 0.17	Mid Growth -0.47	Large Value -1.37	Intl Bonds 0.44	Intl Equity -0.58	Small Value -0.48	
	U.S. Bonds 0.10	Emg Markets -0.52	Mid Value -1.71	High Yield Bond 0.25	Intl Bonds -0.99	Intl Bonds -0.65	
	Intl Equity -0.20	Small Growth -0.60	Small Growth -1.77	Emg Markets 0.10	Real Estate -1.01	Mid Value -0.88	
Low	Intl Bonds -0.28	Small Value -0.86	Small Value -2.00	U.S. Bonds -0.08	Emg Markets -1.45	Emg Markets -2.15	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, 31% International Stock, 7% Emerging Markets, 3% Real Estate.

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