

WEEK IN REVIEW



PRIME CAPITAL INVESTMENT ADVISORS

November 12, 2021

The Bottom Line

- U.S. Equities faltered after inflation came in above expectations and jobless claims broke the recent trend coming in above expectations as well.
- Yields rose as equities fell, both the 10-year yield and the 2-year yield rose +11bps.
- Economic data for the week was on the lighter side with the Veteran Day's holiday falling during the week but was impactful with markets. Inflation, as measured by the CPI, surprised to the downside, coming in above expectations. Jobless Claims and JOLTS showed that despite last week's positive reading, labor markets are still showing signs of strain.

Inflation Rears Its Ugly Head...Again

After last week's push higher day after day, nothing seemed to be able to derail the market's rise until first, jobless claims broke the recent trend and disappointed to the downside, then inflation, as measured by the Consumer Price Index (CPI), came in hotter than expected on Wednesday. By Friday, U.S. Equity indices were able to recover some of their losses, but still ended the week in the red. The S&P 500 was down -0.31% for the week, after it halted an 8-day win streak on Tuesday. The Nasdaq fared worse as it took the brunt of the sell off in the middle of week, but quickly reclaimed losses later in the week, however it wasn't enough to boost it back into positive territory, down -0.69% for the week. Small Cap equities were hit the hardest for the week, the Russell 2000 was down -1.04%. International equities were able to fair the week better than domestic equities. Japanese equities, as measured by the Nikkei-225 was down slightly for the week at -0.01% and European equities were able to finish the week in the green, up +0.68%. In the coming week, market participants will be paying close attention to retail sales and imports for any signs of supply chain disruptions worsening or improving.

Digits & Did You Knows

PAYING A LOT MORE – The average price of a gallon of gasoline has gone up by more than \$1 during calendar year 2021, rising from \$2.253 a gallon as of 12/31/20 to \$3.421 a gallon as of Friday 11/05/21. The last calendar year that experienced gas prices rising by at least \$1 was 2009 (source: AAA, BTN Research).

PREPARE TO START AGAIN – The 42.9 million Americans with federal student loans have benefited from a freeze on student loan payments that was implemented on 03/27/20. The freeze, which will continue until 02/01/22, includes a suspension of loan payments, a 0% interest rate during the freeze, and a deferral of collections on defaulted loans. (source: Department of Education, BTN Research).

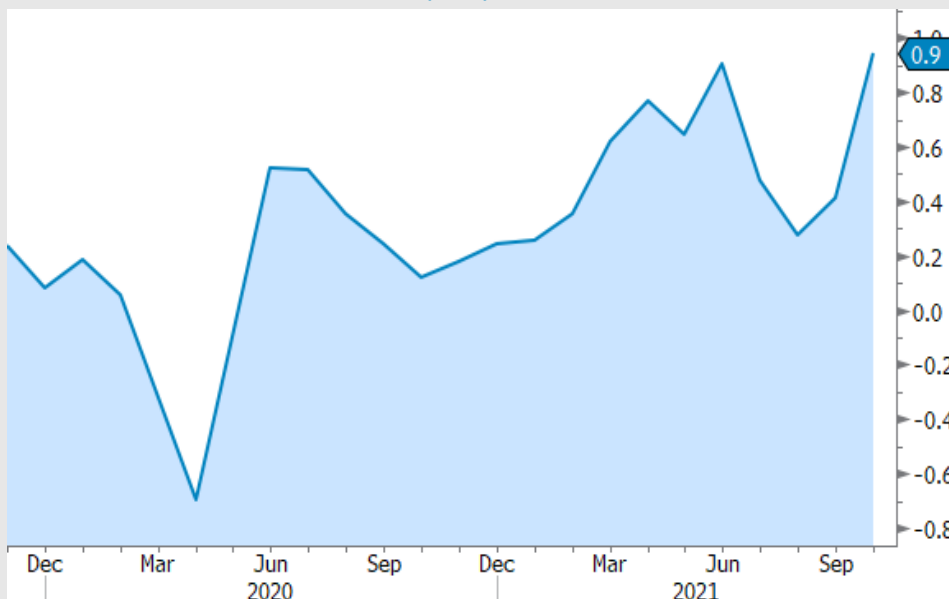
Market Snapshot	Index Level	1-week Price Return	2021 Price Return
EQUITIES			
S&P 500	4,682.85	-0.31%	+24.67%
Nasdaq Composite	15,860.96	-0.69%	+23.06%
Russell 2000	2,411.78	-1.04%	+22.12%
Nikkei-225 (Japan)	29,609.97	-0.01%	+7.89%
STOXX Europe 600	486.75	+0.68%	+21.98%
RATES			
2-Year UST Note	0.51	11 bps	39 bps
10-Year UST Note	1.56	11 bps	65 bps

Chart of the Week

After showing signs of softening over recent months and adding credibility to the transitory inflation narrative, the Consumer Price Index (CPI) jumped back up to its summer high, increasing +0.9% for the month of October versus expectations of +0.6% on a month over month basis and +6.2% on a year over year basis. Digging into the numbers, the increase was broad based ranging from higher energy prices, increases due to supply chains being snarled with disruptions, upward price pressure on rent as economies continue to reopen. The increased wasn't just limited to reopening categories though, service sectors also saw a jump almost across the board, airline tickets were one of the few categories that saw a price decrease. Market participants will likely keep a close eye on inflation metrics for the rest of the year.

Inflation Heats Up Again

U.S. Consumer Price Index (CPI) Month Over Month



Source: Bureau of Labor Statistics, Bloomberg

Economic Rundown

- **NFIB Small Business Optimism** came in softer than expected at 98.2 versus expectations of 99.5.
- Coming in slightly softer than expected, **PPI Ex Food and Energy** came in below expectations of +0.5% at +0.4%.
- **MBA Mortgage Applications** came in +5.5% versus last week's reading of -3.3%.
- Breaking the recent trend, **Initial Jobless Claims** came in above expectations of 260k at 267k. **Continuing Claims** were also above expectations of 2050k at 2160k.
- **CPI** rose more than expected, up +0.9% versus expectations of +0.6% on a month over month basis.
- **Wholesale Inventories** rose more than expected, up +1.4% versus expectations of +1.1%.
- Landing below expectations, the **Monthly Budget Statement** came in at -\$165.1 billion versus expectations of -\$179.0 billion.
- **Larger Consumer Comfort** came in above the previous reading of 49.2 at 50.3.

- **Job Openings and Labor Turnover Survey** disappointed to the downside, missing expectations of 10.3 million coming in at 10.44 million.
- **U. of Mich. Sentiment** missed survey expectations of 72.5 landing at 66.8.

The Week Ahead

Monday	<ul style="list-style-type: none"> • Empire Manufacturing
Tuesday	<ul style="list-style-type: none"> • Retail Sales • Import Price Index • Industrial Production • Net TIC Flows
Wednesday	<ul style="list-style-type: none"> • MBA Mortgage Applications • Building Permits • Housing Starts
Thursday	<ul style="list-style-type: none"> • Initial Jobless Claims • Philadelphia Fed Business Outlook • Kansas City Fed Manf. Activity
Friday	<ul style="list-style-type: none"> • N/A

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	Mid Growth 0.94	Intl Bonds 0.35	Large Value -0.31	Emg Markets 1.73	Mid Growth 1.22	Emg Markets 2.12	High
	Emg Markets 0.92	Mid Growth 0.29	Emg Markets -0.41	Small Growth 0.78	Large Growth 1.20	Mid Growth 0.67	
	Small Growth 0.50	U.S. Bonds 0.28	Real Estate -0.45	Small Value 0.72	Intl Equity 0.54	Mid Value 0.25	
	Small Value 0.24	Real Estate 0.22	High Yield Bond -0.56	Mid Growth 0.37	Mid Value 0.46	Large Value 0.11	
	Large Value 0.22	High Yield Bond 0.08	Mid Value -0.65	Intl Equity 0.36	Small Growth 0.36	Real Estate -0.18	
	Large Growth 0.08	Mid Value 0.05	U.S. Bonds -0.68	Mid Value 0.32	60/40 Allocation 0.31	60/40 Allocation -0.37	
	Mid Value 0.07	60/40 Allocation -0.05	60/40 Allocation -0.89	Real Estate 0.21	Large Value 0.30	Large Growth -0.53	
	60/40 Allocation 0.07	Large Value -0.10	Small Value -0.91	60/40 Allocation 0.19	Emg Markets 0.27	Intl Equity -0.55	
	Intl Bonds 0.01	Intl Equity -0.22	Intl Equity -1.21	Large Growth 0.15	Intl Bonds 0.07	High Yield Bond -0.74	
	Intl Equity -0.01	Emg Markets -0.39	Intl Bonds -1.41	Large Value 0.00	Real Estate 0.05	U.S. Bonds -0.78	
	High Yield Bond -0.13	Small Growth -0.49	Large Growth -1.46	High Yield Bond -0.17	High Yield Bond 0.03	Small Value -0.87	
	U.S. Bonds -0.18	Large Growth -0.49	Mid Growth -2.10	U.S. Bonds -0.18	U.S. Bonds -0.02	Small Growth -1.01	
Low	Real Estate -0.20	Small Value -0.78	Small Growth -2.15	Intl Bonds -0.34	Small Value -0.13	Intl Bonds -1.31	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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