

WEEK IN REVIEW



PRIME CAPITAL INVESTMENT ADVISORS

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The Bottom Line

- Domestic equities posted mixed results for the week after global case counts of the delta variant shot up, which dragged European equities off their recent record highs.
- Yields were muted for the week, the 2-year treasury yield was flat, and the 10-year yield rose +2bps.
- Economic data releases for the week were mostly manufacturing related, and broadly came in above expectations, overall industrial production easily exceeded consensus estimates. Retail sales for last month also came in above expectations, but jobless claims exceeded estimates for the second week in a row and the import price index was hotter than expected.

Global Delta Variant Cases Increase

Delta variant cases across the globe showed signs of increasing at a rate not seen since the start of the global pandemic, especially overseas in European countries. The jump in cases caused market participants to hesitate with the fears of government mandated lockdowns returning to the dismay of traders and consumers alike. After hitting a fresh high in the middle of the week, European equities, as measured by the STOXX Europe 600, retraced slightly and ultimately finished the week in the red, down -0.14%. Japanese equities fared much better with the Nikkei-225 up +0.46% for the week. Domestic equities started the week off strong after retail sales surprised to the upside but gave up some ground in the middle of the week, the S&P 500 was able to cling to its weekly gain and ended modestly up +0.32%. The rise in fears that economies may return to lockdowns spurred a revival in the tech heavy Nasdaq index, up +1.24% for the week. Small Cap equities weren't as fortunate with the Russell 2000 index falling -2.84% for the week. With the holiday season fast approaching, market participants will be closely watching case counts and the probability of government mandated restrictions in the coming weeks.

Digits & Did You Knows

INFLATION – Wages and benefits for all civilian workers in the US increased by +1.3% in the third quarter of 2021, the largest quarter-over-quarter change since the first quarter of 2003. (source: Bureau of Labor Statistics, BTN Research).

MOVING THERE – Of the 50 largest American cities per the 2020 Census, Fort Worth, TX. Experiences the largest percentage growth rate, +24%, over the last decade, while Detroit suffered the largest percentage loss, down -10.5%. Just four of the top 50 US cities lost population in the last decade. (source: Census Bureau, BTN Research).

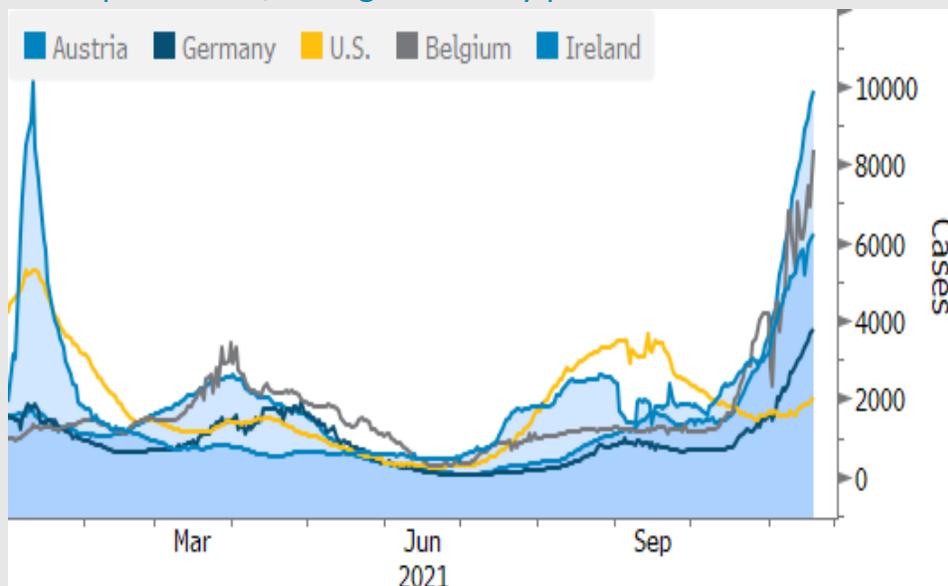
THE TOP DOG – The highest paid college football coach in 2006 was Bob Stoops of Oklahoma, making \$3m a year. The highest paid coach in 2021 is Nick Saban of Alabama, making \$9.75m this year. (source: USA Today, BTN Research).

Market Snapshot	Index Level	1-week Price Return	2021 Price Return
EQUITIES			
S&P 500	4,697.96	+0.32%	+25.08%
Nasdaq Composite	16,057.44	+1.24%	+24.59%
Russell 2000	2,343.16	-2.84%	+18.65%
Nikkei-225 (Japan)	29,745.87	+0.46%	+8.39%
STOXX Europe 600	486.08	-0.14%	+21.82%
RATES			
2-Year UST Note	0.51	0 bps	39 bps
10-Year UST Note	1.54	-2 bps	63 bps

Chart of the Week

With the warm summer weather fulling giving way to the cooler fall weather, Covid cases have begun to increase again, even in countries with high vaccination rates. Western European countries are seeing some of their largest spikes since the beginning of the pandemic as the delta variant works its way through populations. Fortunately, countries that have high vaccination rates are still only seeing moderate levels of hospitalization and mortality. Governments will likely be hesitant to return to lockdowns, however if hospitalizations due to increased case counts begin to strain hospital capacity, governments hands' may be forced to shutdown economies again. With the holiday season fast approaching, it's possible that travel maybe restricted, especially international travel.

Covid Cases Heat Up as Weather Cools
Cases per million, rolling seven-day period



Source: Bloomberg, John Hopkins, IMF

Economic Rundown

- **Empire Manufacturing** landed well above expectations of 22.0 at 30.9.
- Posting a solid month, **Retail Sales** came in above expectations of +1.4% at +1.7%.
- **Import Price Index** surpassed expectations of +1.0% at +1.2% for the month of October.
- **Industrial production** smashed through expectations of +0.9%, coming in at +1.6%.
- **MBA Mortgage Applications** declined from last week's reading of +5.5%, down -2.8%.
- Coming in below expectations, **Housing Starts** for last month were 1.520 million versus expectations of 1.579 million.
- **Building Permits** surprised to the upside, coming in slightly above expectations of 1.63 million at 1.65 million.
- **Initial Jobless Claims** were slightly above expectations of +260k at +268k.
- **Continuing Claims** came in softer than expected at 2.08 million versus consensus of 2.12 million.

- **Philadelphia Fed Business Outlook** was stronger than estimates of 24.0, landing at 39.0.
- **Langer Consumer Comfort** rose from the previous reading of 50.3 to 50.7.

The Week Ahead

Monday	<ul style="list-style-type: none"> • Chicago Fed Nat Activity Index • Existing Home Sales
Tuesday	<ul style="list-style-type: none"> • Markit US Manufacturing & Services PMI • Richmond Fed Manf. Index
Wednesday	<ul style="list-style-type: none"> • MBA Mortgage Applications • Initial Jobless Claims • Continuing Claims • Wholesale Inventories • GDP Annualized QoQ • Personal Income & Spending • Durable Goods Orders • PCE Deflator
Thursday	<ul style="list-style-type: none"> • N/A
Friday	<ul style="list-style-type: none"> • N/A

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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	Real Estate 0.59	Mid Growth 1.12	Real Estate 0.35	Large Growth 0.78	Large Growth 0.35	Large Growth 1.83	High
	Mid Value 0.25	Large Growth 0.97	U.S. Bonds 0.24	Intl Bonds 0.64	U.S. Bonds 0.19	U.S. Bonds 0.11	
	Large Value 0.08	Small Growth 0.42	Intl Bonds 0.03	Intl Equity 0.10	High Yield Bond -0.08	Real Estate -0.15	
	Small Value -0.07	Emg Markets 0.14	High Yield Bond -0.10	U.S. Bonds 0.09	Emg Markets -0.16	High Yield Bond -0.33	
	Large Growth -0.08	High Yield Bond 0.05	Intl Equity -0.12	60/40 Allocation -0.03	60/40 Allocation -0.29	60/40 Allocation -0.67	
	High Yield Bond -0.12	Mid Value 0.04	60/40 Allocation -0.16	Real Estate -0.05	Intl Bonds -0.40	Intl Bonds -1.13	
	Intl Equity -0.18	60/40 Allocation 0.03	Large Growth -0.21	High Yield Bond -0.08	Mid Growth -0.42	Mid Growth -1.19	
	60/40 Allocation -0.22	U.S. Bonds -0.04	Large Value -0.47	Mid Value -0.33	Real Estate -0.45	Intl Equity -1.28	
	Emg Markets -0.33	Small Value -0.08	Emg Markets -0.52	Small Value -0.36	Mid Value -0.77	Mid Value -1.40	
	U.S. Bonds -0.37	Large Value -0.16	Mid Value -0.59	Large Value -0.43	Small Growth -0.80	Large Value -1.85	
	Mid Growth -0.37	Intl Equity -0.22	Mid Growth -0.99	Mid Growth -0.53	Intl Equity -0.85	Emg Markets -2.08	
	Small Growth -0.75	Intl Bonds -0.39	Small Value -1.13	Small Growth -0.63	Large Value -0.88	Small Value -2.60	
Low	Intl Bonds -1.00	Real Estate -0.59	Small Growth -1.30	Emg Markets -1.22	Small Value -0.98	Small Growth -3.03	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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