

# WEEK IN REVIEW



## PRIME CAPITAL INVESTMENT ADVISORS

November 26, 2021

### The Bottom Line

- Global risk assets tumbled for the week as the threat of a new covid-19 variant rises.
- Yields fell with stocks as investors looked for havens, the 2-year treasury yield fell -1bps, and the 10-year yield plummeted -7bps.
- Economic releases for the week were compressed to the first half of the week with the markets being closed on Thursday and only open for a morning session on Friday due to the Thanksgiving holiday. Factory activity showed signs of increasing, but service activity softened. Personal Consumption and Personal Spending for the previous quarter came in hotter than expected.

### Covid Variant Threat Rises, Markets Fall

Global markets have had back-to-back weeks of covid threatening to hinder the progress of global economic recoveries. Last week, delta variant cases began to spike, especially in European nations, now this week, a new variant has shown threats arising from South Africa. Fears of economies returning to shutdowns spooked traders, turning buyers into sellers across global markets. European equities were hit hard, falling -4.53% for the week after already showing signs of stress from the delta variant. Japanese equities, as measured by the Nikkei-225, fell -3.34% for the week. Volatile small cap US equities were right behind European equities, falling -4.15% for the week. Nasdaq equities weren't immune to the selloff, despite the "stay-at-home" and biotech constituents within the index, falling -3.52% for the week. The S&P 500 was able to fair slightly better but was still significantly in the red for the week, falling -2.20%. Treasury yields fell with equities as investors searched for haven assets, the 2-year US Treasury Note yield fell by -1bps and the 10-year US Treasury Note yield fell by a whopping -7bps for the week. Risk assets could have a volatile finish to the year as traders begin to price in the new variant's impact on global economies.

### Digits & Did You Knows

**WHEN THE FED LAST RAISED RATES** – Between 12/14/16 and 12/19/18, the Fed raised short-term interest rates 8 times (0.25% points each time). Between 12/14/16 and 12/19/18, the S&P 500 increased +15.8% (total return) in aggregate over the 2-years. (source: BTN Research).

**AT LEAST A FEW DAYS AT HOME** – 25% of 2,050 full-time workers surveyed in September 2021 say they would quit their job if their employer completely eliminated the "work-from-home" option in a post-pandemic world. (source: 2021 State of Remote Work, BTN Research).

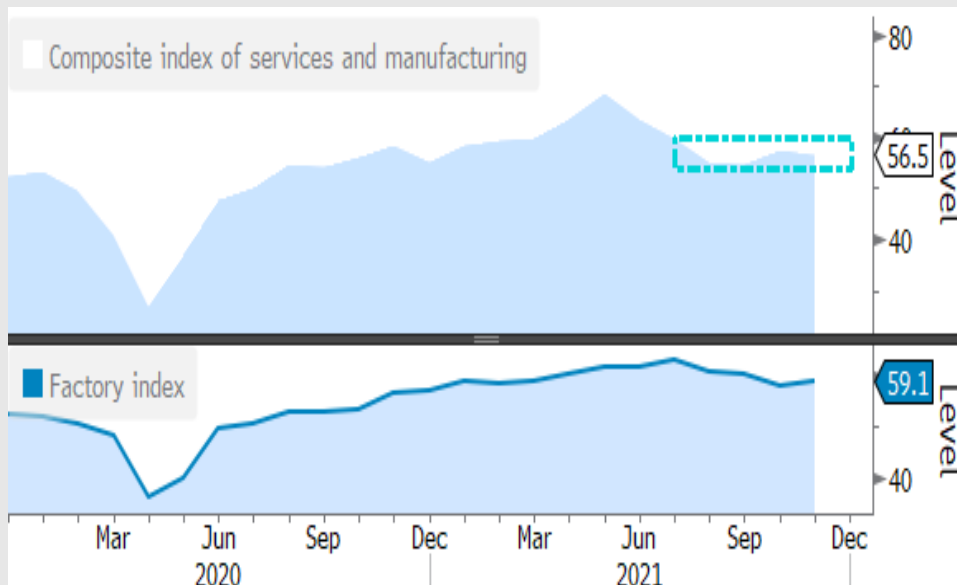
**SLOW MOVING** – Ships carrying containers traveling from China to the United States travel at a speed of 16-18 mph. (source: Freightos, BTN Research).

Market Snapshot	Index Level	1-week Price Return	2021 Price Return
<b>EQUITIES</b>			
S&P 500	4,594.62	-2.20%	+22.33%
Nasdaq Composite	15,491.66	-3.52%	+20.20%
Russell 2000	2,245.94	-4.15%	+13.73%
Nikkei-225 (Japan)	28,751.62	-3.34%	+4.76%
STOXX Europe 600	464.05	-4.53%	+16.29%
<b>RATES</b>			
2-Year UST Note	0.50	-1 bps	38 bps
10-Year UST Note	1.47	-7 bps	56 bps

### Chart of the Week

The US economy is still running hot, as measured by the IHS Markit business activity composite, which landed at 56.5 for the preliminary reading for November. The composite softened from the previous reading of 57.6, but remains healthily above the 50 level, indicating that growth is still strong. The decrease in business activity was due to continued constraints within supply chains and labor markets. For the month of November, factory activity increased slightly, but was more than offset by a slowdown in service activity. As the economy fights to return to normal, factories and service providers are struggling to ramp up sufficient supply to match the resilient demand. With covid cases spiking in the colder weather, coupled with the threat of a new variant, these constraints are likely to remain an issue.

### US Economy Rangebound on Supply Constraints IHS Markit Manufacturing & Services PMI



Source: IHS Markit, Bloomberg

### Economic Rundown

- **Chicago Fed Nat Activity Index** came in stronger than expected at +0.76 versus survey expectations of +0.10.
- Surprising to the upside, **Existing Home Sales** landed at +0.08% versus consensus estimates of -1.4%.
- **Markit US Manufacturing PMI** met expectations of 59.1, but **Markit US Services PMI** came in softer than expected at 57.0 versus consensus of 59.0.
- Meeting expectations, **Richmond Fed Manf. Index** was +11.0.
- **MBA Mortgage Applications** were stronger than last week's reading of -2.8% at +1.8%.
- Breaking the two-week trend, **Jobless Claims** were lower than consensus estimates of +260K at +199k. **Continuing Claims** surpassed survey estimates of 2.032 million, landing at 2.049 million.
- **Wholesale Inventories** were above expectations of +1.0% at +2.2%.
- **GDP Annualized QoQ** missed consensus of +2.2% at +2.1%.

- **Personal Consumption** surprised to the upside, beating survey estimates of +1.6%, coming in at +1.7%. **Personal Income** also surpassed estimates of +0.02%, landing +0.05%
- **Core PCE QoQ** met expectations of +4.5%.

### The Week Ahead

Monday	<ul style="list-style-type: none"> <li>• Pending Home Sales</li> <li>• Dallas Fed Manf. Activity</li> </ul>
Tuesday	<ul style="list-style-type: none"> <li>• FHFA House Price Index</li> <li>• MNI Chicago PMI</li> <li>• Conf. Board Consumer Confidence</li> </ul>
Wednesday	<ul style="list-style-type: none"> <li>• MBA Mortgage Applications</li> <li>• ADP Employment Change</li> <li>• Continuing Claims</li> <li>• Construction Spending</li> <li>• ISM Manufacturing</li> </ul>
Thursday	<ul style="list-style-type: none"> <li>• Initial Jobless Claims</li> </ul>
Friday	<ul style="list-style-type: none"> <li>• Change in Nonfarm Payrolls</li> <li>• Factory Orders</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	Small Value 0.55	Real Estate 0.81	Real Estate 1.21		U.S. Bonds 0.71	U.S. Bonds 0.06	High
	Large Value 0.43	Large Value 0.67	Mid Growth 1.06		Intl Bonds 0.68	Intl Bonds -0.70	
	Mid Value 0.31	Mid Value 0.40	Large Growth 0.63		High Yield Bond -0.72	Large Value -1.20	
	High Yield Bond -0.38	Small Value 0.27	Small Growth 0.53		60/40 Allocation -1.41	High Yield Bond -1.26	
	U.S. Bonds -0.48	Emg Markets -0.10	U.S. Bonds 0.23		Mid Growth -1.74	Real Estate -1.47	
	60/40 Allocation -0.49	Intl Equity -0.10	Mid Value 0.06		Large Growth -2.20	60/40 Allocation -1.98	
	Intl Equity -0.59	60/40 Allocation -0.13	60/40 Allocation 0.04		Large Value -2.24	Mid Value -2.10	
	Real Estate -0.67	High Yield Bond -0.14	High Yield Bond -0.02		Intl Equity -2.69	Large Growth -3.28	
	Intl Bonds -0.69	Intl Bonds -0.32	Large Value -0.04		Real Estate -2.77	Small Value -3.29	
	Emg Markets -0.81	U.S. Bonds -0.40	Emg Markets -0.14		Mid Value -2.85	Mid Growth -3.47	
	Large Growth -1.25	Large Growth -0.48	Small Value -0.22		Emg Markets -3.35	Intl Equity -4.00	
	Small Growth -1.37	Small Growth -0.70	Intl Bonds -0.37		Small Growth -3.56	Emg Markets -4.36	
Low	Mid Growth -1.74	Mid Growth -1.07	Intl Equity -0.66		Small Value -3.86	Small Growth -5.04	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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