WEEK IN REVIEW

December 17, 2021

The Bottom Line

- With the Fed turning hawkish, equity markets retreated from their record highs set last Friday, both domestically and across the pond in Europe.
- Yields fell with equities for the week, the yield on the 2-year dropping slightly, down -1bps and the yield on the 10-year falling -7bps.
- Economic data for the week showed that inflation is still hitting manufacturers hard with PPI coming in hotter than expected and housing data showed that the real estate market is still running red hot with both Housing Starts and Building Permits come in above expectations.

Fed Turns Hawkish

Retreating from last Friday's record high, the S&P 500 was in the red almost everyday for the week, except for Wednesday when Fed Chairman Powell made remarks after the Federal Reserves meeting. To combat runaway inflation, Powell announced that the Fed will accelerate the pace at which they are tapering their asset purchase program, increasing the reduction from $10 billion to $20 billion per month starting next month. After the dust had settled, the S&P 500 lost -1.94% for the week, with Small Caps, as measured by the Russell 2000, right behind it, down -1.71% for the week. The tech heavy Nasdaq faced the worse of the selling pressure, falling -2.95% for the week. European equities, as measured by the STOXX Europe 600, were down slightly -0.35% for the week after the European Central Bank (ECB) also announced a tapering to their asset purchases, but also promised that additional stimulus would be coming. Japanese equities, as measured by the Nikkei-225, was able to cling onto positive territory for the week, up +0.38%. With the week turning negative, a Santa Claus rally is in jeopardy, but not impossible. Looking out the next week, market participants will be looking to GDP numbers, as well as personal income and spending data releases.

Digits & Did You Knows

EVERYBODY IS PAYING LESS – The Tax Cuts and Jobs Act of 2017 was signed into law by President Trump on 12/22/17 and became effective on 01/01/18. The average tax rate paid by the top 1% of taxpayers, i.e., federal income tax paid divided by adjusted gross income, dropped from 26.76% in 2017 to 25.57% in 2019. The average tax rate paid by the bottom 90% of taxpayers dropped from 8.38% in 2017 to 7.36% in 2019 . (source: IRS, BTN Research).

AS LONG AS I'M HERE – Just 1 out of every 11 employees (9%) who were auto-enrolled in their companies' 401(k) plans opt out of their participation in the pre-tax retirement plan. (source: Fidelity, BTN Research)

Market Snapshot	Index Level	1-week Price Return	2021 Price Return
EQUITIES			
S&P 500	4,620.64	-1.94%	+23.02%
Nasdaq Composite	15,169.68	-2.95%	+17.70%
Russell 2000	2,173.93	-1.71%	+10.08%
Nikkei-225 (Japan)	28,545.68	+0.38%	+4.01%
STOXX Europe 600	473.90	-0.35%	+18.76%
RATES			
2-Year UST Note	0.64	-1 bps	52 bps
10-Year UST Note	1.41	-7 bps	50 bps

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WEALTH MANAGEMENT

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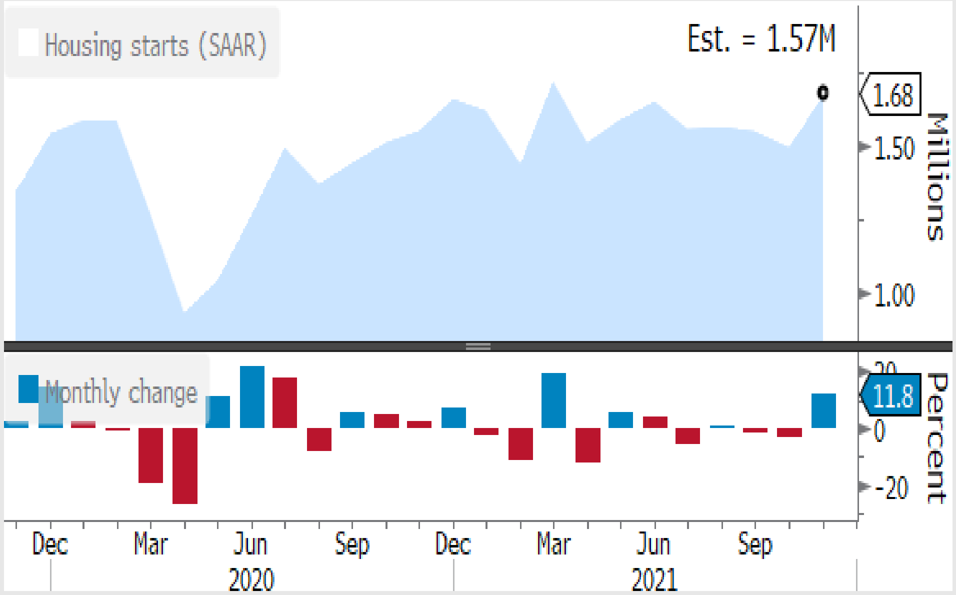
Chart of the Week

Charging ahead, Housing Starts for the month of November climbed at the fastest rate since March of this year, easily beating expectations of +1.57 million at +1.68 million. This represents a month over month increase of +11.8%. Additionally, Building Permits, a proxy for future construction of single-family homes, also beat expectations of 1.60 million landing at an annualized rate of 1.71 million. This metric indicates that home builders are expecting demand for single-family homes to remain robust into the new year. While all this news is overwhelmingly positive, builders are continuing to see pressure from supply chain constraints as well as a vast shortage of labor. The combination of these pressures have driven up costs and thus pushed home prices to record highs this year.

Hammer Time

Housing Starts Advance at Fastest Pace in Eight Months



Source: U.S. Commerce Department, Bloomberg

Economic Rundown

- **NFIB Small Business Optimism** met expectations of 98.4, expanding slightly from the previous reading of 98.2.
- **PPI Final Demand** came in hotter than expected at +0.8% versus consensus of +0.5%.
- **MBA Mortgage Applications** fell by -4.0% from the previous week's reading of +2.0%.
- Coming in stronger than expected, **Empire Manufacturing** landed at 31.9 versus expectations of 25.0.
- Disappointing in a big way, **Retail Sales Advance** was softer than expectations of +0.8%, coming in at +0.3%.
- **Initial Jobless Claims** was largely in line with expectations of +200k, landing at +206k. **Continuing Claims** were smaller than expected at 1.85 million versus expectations of 1.94 million.
- **Housing Starts** smashed expectations of +1.57 million, coming in at +1.68 million. **Building Permits** were also stronger than consensus estimates of +1.60 million, landing at +1.71 million annualized.
- **Industrial Production** missed the mark, coming in slightly below expectations of +0.6% at +0.5%.**Capacity Utilization** met expectations of 76.8%.
- **Markit U.S. Composite** fell from the previous reading of 57.2, landing at 56.9. **Markit U.S. Manufacturing PMI** disappointed expectations of 58.5, coming in at 57.8.

The Week Ahead

Monday	• Leading Index
Tuesday	• Current Account Balance
Wednesday	• MBA Mortgage Applications • GDP • Personal Consumption • Conf. Board Consumer Confidence • Existing Home Sales
Thursday	• Personal Income & Spending • Initial Jobless Claims • Durable Goods Orders • U. of Mich. Sentiment
Friday	• N/A

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Asset Class Performance

WEEK IN REVIEW

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 1.09	High Yield Bond -0.17	Small Growth 2.23	Intl Bonds 0.58	Small Growth 1.56	Real Estate 1.05
	U.S. Bonds 0.35	Large Value -0.18	Large Growth 2.11	Large Value 0.43	Mid Growth 0.70	U.S. Bonds 0.34
	High Yield Bond 0.00	U.S. Bonds -0.19	Mid Growth 1.77	U.S. Bonds 0.14	Small Value 0.19	High Yield Bond 0.04
	Intl Bonds -0.17	Emg Markets -0.23	Real Estate 1.37	Emg Markets 0.12	U.S. Bonds 0.12	Large Value -0.55
	Large Value -0.43	Intl Bonds -0.38	Intl Equity 1.36	Real Estate 0.03	High Yield Bond -0.09	Intl Bonds -0.60
	60/40 Allocation -0.45	60/40 Allocation -0.47	Mid Value 1.06	Intl Equity 0.01	Real Estate -0.20	60/40 Allocation -0.88
	Mid Growth -0.77	Small Value -0.52	Small Value 0.99	High Yield Bond -0.07	60/40 Allocation -0.42	Intl Equity -1.36
	Mid Value -0.82	Intl Equity -0.53	Large Value 0.88	60/40 Allocation -0.26	Large Growth -0.46	Mid Value -1.56
	Intl Equity -0.92	Mid Value -0.57	60/40 Allocation 0.73	Mid Value -0.40	Emg Markets -0.50	Mid Growth -1.85
	Large Growth -1.22	Small Growth -1.16	High Yield Bond 0.38	Small Value -1.09	Intl Bonds -0.71	Small Value -1.89
	Small Value -1.45	Large Growth -1.21	Intl Bonds 0.09	Mid Growth -1.97	Mid Value -0.82	Small Growth -1.95
	Small Growth -1.54	Real Estate -1.22	U.S. Bonds -0.08	Large Growth -2.23	Large Value -1.24	Emg Markets -2.44
Low	Emg Markets -1.56	Mid Growth -1.53	Emg Markets -0.29	Small Growth -2.96	Intl Equity -1.26	Large Growth -3.02

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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