

WEEK IN REVIEW



PRIME CAPITAL INVESTMENT ADVISORS

December 31, 2021

The Bottom Line

- Despite low volume during the final week of the year, global equities were mostly in the green for the week, solidifying robust returns for the year of 2021.
- Yields gently climbed upward for the week, the yield on the 2-year Treasury Note was up +4bps and the yield on the 10-year Treasury Note was up +2bps .
- Economic data for the final week of the year was on the lighter side, but housing related data releases showed that despite a slump in Pending Home Sales, real estate prices continue their grind higher. Regional manufacturing data illustrated some booms and some busts for the month of December.

Equities Off Highs, But Not By Much

While not quite finishing the week at all time highs, the S&P 500 still managed to post a respectable gain of +0.85% for the week, which locked in a staggering YTD gain of +26.89%. Small Cap equities, as measured by the Russell 2000, weren't quite as exciting, only up +0.17% for the week and +13.70% for the year. The tech-heavy Nasdaq ended the week in the red, down slightly by -0.05%, but locked in a robust YTD return of +21.39%. Just ahead of the Nasdaq for the week, Japanese equities, as measured by the Nikkei-225, were also down slightly at -0.02% for the week and posted a more modest YTD return, up +4.91% for 2021. Japanese markets were closed on the final day of the year for the New Year's holiday. European equities, as measured by the STOXX Europe 600, had a nice close to year, up +0.99% for the last week of 2021 and cemented a solid return of +22.25% for the year. Looking ahead to the first week of the New Year, market participants will be focusing on employment data releases with ADP employment numbers scheduled for Wednesday and the official government numbers scheduled for Friday. Additionally, manufacturing data and trade related releases are scheduled for Wednesday and Thursday.

Digits & Did You Knows

AT THE HIGH END – A year ago (12/21/20), Barron's published the year-end 2021 forecast for the closing yield on the 10-year Treasury note made by 10 Wall Street strategists. The 10 predications ranged from a low of 1.00% to a high of 1.50%. The 10-year note's actual yield close on 12/31/20 was 0.913%. The yield on the 10-year Treasury note closed at 1.51% on 12/31/2021. (source: Barron's, BTN Research).

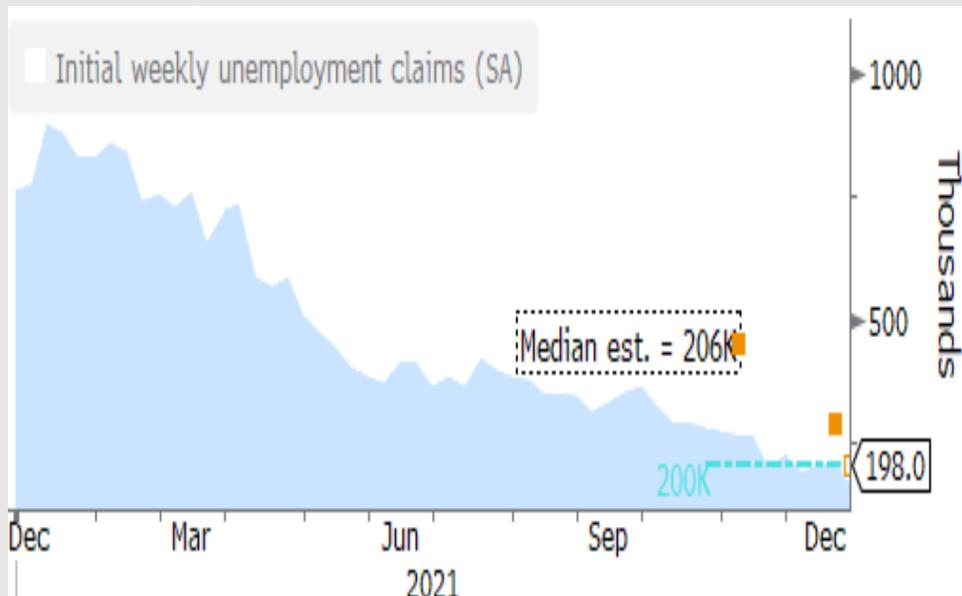
HELPING THE SMALL MARKET TEAMS – 48% of the local revenue of every MLB team, i.e., local TV contracts, ticket gate receipts, concessions, and parking revenue, goes into a "revenue sharing pool" that is split equally among all 30 MLB teams. (source: MLB, BTN Research).

Market Snapshot	Index Level	1-week Price Return	2021 Price Return
EQUITIES			
S&P 500	4,766.18	+0.85%	+26.89%
Nasdaq Composite	15,644.97	-0.05%	+21.39%
Russell 2000	2,245.31	+0.17%	+13.70%
Nikkei-225 (Japan)	28,791.71	-0.02%	+4.91%
STOXX Europe 600	487.80	+0.99%	+22.25%
RATES			
2-Year UST Note	0.73	4 bps	61 bps
10-Year UST Note	1.51	2 bps	60 bps

Chart of the Week

Largely unaffected by the wave of new covid-19 cases caused by the omicron variant, Initial Jobless Claims for the previous week beat expectations by coming in at 198k versus expectations of 206k. Combined with Continuing Claims also landing below expectations of 1.87 million at 1.72 million, it appears that employers are shaking off the longer-term impact of the omicron variant and continue to bolster their employee ranks as labor shortages still plague the economy. With the holiday season in full swing, claims numbers have been volatile over the last several weeks, but are appearing to near stabilization close to pre-pandemic levels. This seems to support the Fed’s decision to increase the speed of the tapering process and opens the door to the first rate hike, now expected to be implemented in Q2 or Q3 of 2022.

Employment Firms Up Despite Omicron Initial Weekly Jobless Claims



Source: U.S. Labor Department, Bloomberg

Economic Rundown

- The **Dallas Fed Manf. Activity** disappointed, coming in at 8.1 versus expectations of 13.5.
- Coming in hotter than expected, the **FHFA House Price Index** landed at +1.1% versus survey estimates of +0.9%.
- **Richmond Fed. Manf. Index** was stronger than expectations of 11, landing at 16.
- **Wholesale Inventories** missed the mark, coming in at +1.2% versus expectations of +1.5%.
- **Retail Inventories** were above expectations of +0.5%, landing at +2.0%.
- Widening to a record high, the **Advanced Goods Trade Balance** widely missed expectations of -\$88.1 billion, coming in at -\$97.8 billion.
- Despite the red-hot housing market, **Pending Home Sales** fell by -2.2% for the month of November, which greatly missed expectations of +0.8% increase.
- **Initial Jobless Claims** came in softer than expected at 198k versus consensus of 206k.

- **Continuing Jobless Claims** were also softer than expected at 1.72 million versus expectations of 1.87 million.
- **MIN Chicago PMI** was landed above expectations of 62.0, coming in at 63.1.

The Week Ahead

Monday	<ul style="list-style-type: none"> • Markit US Manufacturing PMI • Construction Spending
Tuesday	<ul style="list-style-type: none"> • ISM Manufacturing • JOLTS
Wednesday	<ul style="list-style-type: none"> • MBA Mortgage Applications • ADP Employment Change • Markit US Composite PMI • Pending Home Sales
Thursday	<ul style="list-style-type: none"> • Trade Balance • Initial Jobless Claims • Langer Consumer Comfort • Factory & Durable Goods Orders
Friday	<ul style="list-style-type: none"> • Change in Nonfarm Payrolls

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 1.67	Real Estate 0.34	Real Estate 0.65	Emg Markets 1.15	Intl Bonds 0.47	Real Estate 3.32	High
	Large Growth 1.50	Mid Value 0.22	Mid Value 0.33	Real Estate 0.45	Real Estate 0.16	Mid Value 1.89	
	Mid Value 1.34	Large Value 0.17	Large Value 0.23	U.S. Bonds 0.22	Mid Value 0.16	Large Value 1.39	
	Large Value 1.08	Intl Equity 0.04	Mid Growth 0.23	Small Growth 0.19	Small Value 0.08	Small Value 0.76	
	Small Value 1.03	U.S. Bonds -0.04	Small Value 0.20	Mid Growth 0.13	High Yield Bond -0.02	60/40 Allocation 0.43	
	Mid Growth 0.96	High Yield Bond -0.05	Intl Bonds 0.20	60/40 Allocation 0.04	Large Value -0.02	Intl Equity 0.42	
	Small Growth 0.82	60/40 Allocation -0.09	Large Growth 0.05	High Yield Bond -0.05	U.S. Bonds -0.04	Emg Markets 0.32	
	Intl Equity 0.78	Intl Bonds -0.12	Small Growth 0.03	Large Value -0.07	Intl Equity -0.09	Large Growth 0.21	
	60/40 Allocation 0.63	Small Value -0.31	Intl Equity -0.04	Mid Value -0.16	60/40 Allocation -0.09	Intl Bonds 0.20	
	Emg Markets 0.45	Emg Markets -0.33	60/40 Allocation -0.05	Small Value -0.24	Mid Growth -0.39	Mid Growth 0.16	
	High Yield Bond 0.10	Large Growth -0.44	High Yield Bond -0.16	Intl Equity -0.26	Small Growth -0.45	U.S. Bonds -0.11	
	U.S. Bonds 0.05	Mid Growth -0.76	U.S. Bonds -0.30	Intl Bonds -0.26	Emg Markets -0.49	High Yield Bond -0.17	
Low	Intl Bonds -0.09	Small Growth -1.04	Emg Markets -0.45	Large Growth -0.39	Large Growth -0.50	Small Growth -0.46	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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