

WEEK IN REVIEW



PRIME CAPITAL INVESTMENT ADVISORS

January 07, 2022

The Bottom Line

- Global equities sold off for the first week of the year as market participants switched into risk-off mode as they priced in a more hawkish Fed.
- Yields skyrocketed this past week with the yield on the 2-Year Treasury Note jumping 14bps and the yield on the 10-Year Treasury Note climbed an astounding 26bps for the week.
- Economic relatedly data for the first week of the year showed that labor markets remain tight with the official government numbers missing their topline estimates, but wage growth remained robust. Manufacturing data came roughly in line with estimates and Construction Spending disappointed.

Jump in 10-Year Yield Causes Equity Selloff

Equities started off the new year with their worst start since 2016. The S&P 500 was down -1.87%, but the real pain was felt in the tech heavy sector, which has been deemed more sensitive to rising interest rates. Tech, as measured by the Nasdaq Composite, was down -4.53% for the week as the yield on the 10-year US Treasury Note shot up to its highest level since March of 2021, up a whopping 26bps for the week. Domestic Small Cap equities, as measured by the Russell 2000, didn't fair much better than the tech heavy Nasdaq index. The Russell 2000 was down -2.92% for the week. International was able to fair modestly better than domestic equities but were still in the red for the week. Japanese equities, as measured by the Nikkei-225, were down -1.09% for the week and European equities, as measured by the STOXX Europe 600, were markedly better only down -0.32% for the week. With the hawkish Fed speak lately combined with the rampant spread of the omicron variant has turned market participants into risk-off mode.

Digits & Did You Knows

LIVING JUST A LITTLE LESS – The life expectancy at birth of an American baby in 2020 was 77.0 years, down 1.8 years from 78.8 years in 2019 and the largest single-year life expectancy decline since 1943. The 2020 life expectancy number is just under the 2003 life expectancy of 77.1 years. (source: Center for Disease Control, BTN Research).

HOUSING –The average interest rate nationwide on a 30-year fixed rate mortgage was 3.11% at the end of 2021. The all-time record low national average is 2.65%, set on Thursday 01/07/2021. (source: Freddie Mac, BTN Research).

OIL PRICES–The price of oil ended 2021 at \$75.21 a barrel, up +55.0% from its 2020 close of \$48.52 a barrel. Oil's all-time high price is \$147.27 a barrel as of 07/11/2008. (source: CME Group, BTN Research).

Market Snapshot	Index Level	1-week Price Return	2021 Price Return
EQUITIES			
S&P 500	4,677.03	-1.87%	-1.87%
Nasdaq Composite	14,935.90	-4.53%	-4.53%
Russell 2000	2,179.81	-2.92%	-2.92%
Nikkei-225 (Japan)	28,478.56	-1.09%	-1.09%
STOXX Europe 600	486.25	-0.32%	-0.32%
RATES			
2-Year UST Note	0.87	14 bps	14 bps
10-Year UST Note	1.77	26 bps	26 bps

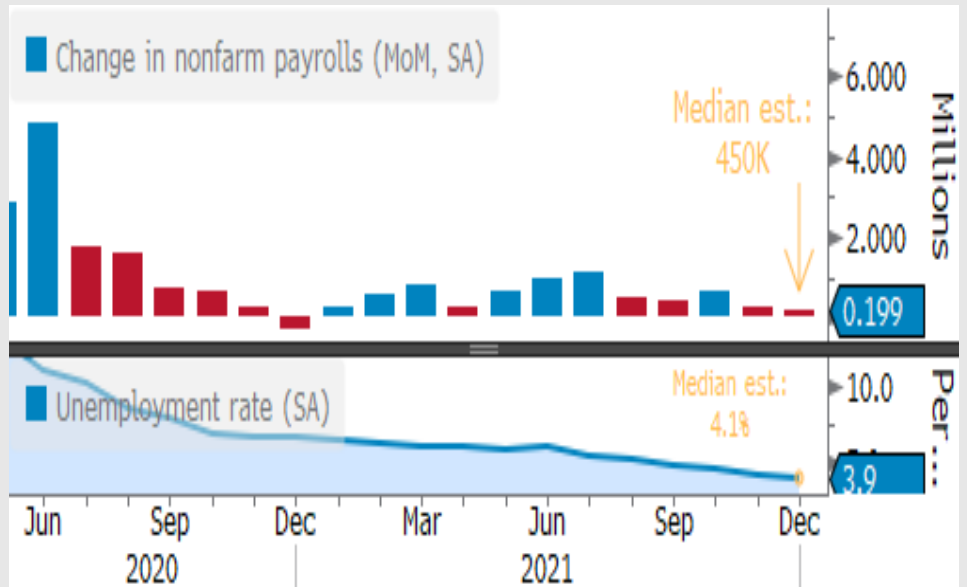


Chart of the Week

Despite some of last month’s positive high frequency reporting relating to employment data, the official government metric for employment, Change in Nonfarm Payrolls, came in below expectations, adding 199k jobs versus consensus estimates of 450k. Even though the headline number missed the mark, the Unemployment Rate fell below the median estimate of 4.1%, coming in at 3.9%. Additionally, wage growth accelerated in the final month of 2021 and labor force participation was unchanged. This mixed report illustrates that labor markets remained tight through the end of the year, but it also seems to suggest that workers are still hesitating to return to the workforce. Looking ahead, omicron may pose as a threat to the pace of recovery and to the Fed’s timeline for interest rate liftoff.

Employment Misses The Mark

Month Over Month Change in Nonfarm Payrolls



Source: Bureau of Labor Statistics, Bloomberg

Economic Rundown

- Coming in right at consensus, **Markit US Manufacturing PMI** for the previous month was 57.7.
- The change in monthly **Construction Spending** was softer than expectations of +0.6%, landing at +0.4%.
- **ISM Manufacturing** missed the mark, coming in at 58.7 versus expectations of 60.0.
- **JOLTS** landed below expectations of 110.1 million open jobs, landing at 105.6 million for the previous month.
- For the previous week, **MBA Mortgage Applications** fell by -5.6% versus the previous reading of +3.2% as housing supply remains tight.
- **ADP Employment Change** smashed through expectations of +410k, coming in at +807k.
- Landing slightly above the previous reading of 56.9, **Markit US Composite PMI** landed at 57.0 for December.
- **Initial Jobless Claims** were above expectations of +195k, coming in at +207k. **Continuing Claims** were also above expectations of 1.68 million, landing at 1.75 million.

- **Trade Balance** came in below estimates of -\$81.0 billion, landing at -\$80.2 billion.
- The **Change in Nonfarm Payrolls** was less than expectations of 450k, coming in at 199k. The **Unemployment Rate** fell to 3.9%.

The Week Ahead

Monday	• Wholesale Inventories
Tuesday	• NFIB Small Business Optimism
Wednesday	• CPI • Monthly Budget Statement
Thursday	• PPI • Initial Jobless Claims
Friday	• Retail Sales Advance • Import Price Index • Capacity Utilization • Industrial Production • U. of Mich. Sentiment

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 Growth 1.24	Mid Value 1.02	Intl Bonds 0.18	Small Value 0.84	Emg Markets 0.91	Large Value 0.79	High
	Small Value 1.22	Large Value 0.88	U.S. Bonds -0.31	Emg Markets 0.46	Intl Bonds 0.50	Intl Equity 0.11	
	Large Growth 0.72	Small Value 0.68	High Yield Bond -0.77	Mid Value 0.44	Intl Equity 0.29	Emg Markets 0.08	
	Emg Markets 0.72	Intl Equity 0.57	Large Value -0.88	Mid Growth 0.20	Large Value 0.25	Small Value 0.04	
	Intl Equity 0.65	60/40 Allocation 0.05	Intl Equity -0.88	Large Value 0.20	Mid Value -0.04	Mid Value -0.18	
	Large Value 0.35	U.S. Bonds -0.01	60/40 Allocation -1.21	Small Growth 0.13	60/40 Allocation -0.15	Intl Bonds -0.66	
	60/40 Allocation 0.05	Intl Bonds -0.15	Mid Value -1.55	High Yield Bond 0.01	High Yield Bond -0.26	60/40 Allocation -1.30	
	Mid Value -0.03	Real Estate -0.19	Emg Markets -1.63	Real Estate -0.02	U.S. Bonds -0.29	High Yield Bond -1.31	
	High Yield Bond -0.05	High Yield Bond -0.25	Small Value -2.21	60/40 Allocation -0.05	Small Value -0.45	U.S. Bonds -1.39	
	U.S. Bonds -0.68	Emg Markets -0.35	Real Estate -2.96	U.S. Bonds -0.11	Real Estate -0.67	Real Estate -4.55	
	Real Estate -0.76	Small Growth -0.99	Large Growth -3.19	Intl Bonds -0.23	Large Growth -1.10	Large Growth -4.84	
	Intl Bonds -0.95	Large Growth -1.04	Mid Growth -3.87	Large Growth -0.28	Mid Growth -1.63	Small Growth -5.78	
Low	Mid Growth -1.03	Mid Growth -1.43	Small Growth -4.36	Intl Equity -0.51	Small Growth -1.85	Mid Growth -7.57	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.

Advisory services offered through Prime Capital Investment Advisors, LLC. ("PCIA"), a Registered Investment Adviser. PCIA doing business as Prime Capital Wealth Management ("PCWM") and Qualified Plan Advisors ("QPA").

