WEEK IN REVIEW

February 18, 2022

The Bottom Line

- Equity markets around the globe deepened their year-to-date losses as tensions between Russia and Ukraine heightened throughout the week.
- Bonds reversed their selloff from last week as investors searched for havens, the yield on the 2-Year fell -3bps and the yield on the 10-Year fell -1bps.
- Economic news for the week was almost completely overshadowed by the situation in Ukraine, however, data for the week illustrated that sticky inflation has persisted into the new year and while housing starts disappointed, home demand is still robust with pending sales coming in well above consensus expectations.

Geopolitical Tensions Go Up, Markets Go Down

The week started off with markets rejoicing that Russia claimed to be pulling back troops from the Ukraine border on Tuesday, but this was short lived as the US government announced that it did not see any evidence of troop withdrawals on Wednesday and cautioned market participants during the latter half of the week that an invasion is still on the table. This narrative sent equities spiraling on Thursday and the pain continued into Friday. The S&P 500 lost -1.58% for the week and Small Cap equities, as measured by the Russell 2000, lost 1.03% for the week. The tech-heavy Nasdaq Composite was hit hard on the news of geopolitical tensions were increasing, falling -1.76% for the week. International equities also sold off this news with Japanese equities, as measured by the Nikkei-225, fell -2.07% for the week. With the threat of increased energy prices in Europe, European equities, as measured by the STOXX Europe 600 fell by -1.87% for the week. The tensions between Russia and Ukraine seem to have market participants' undivided attention, but with the US set to release GDP numbers next week, this may shift to the backburner.

Digits & Did You Knows

FINALLY IN THE BLACK – The US Government ran a $119 billion surplus in January of 2022,, breaking a streak of 27 conservative months of deficits, and its first surplus month during the pandemic. (source: BTN Research).

DREAM HOME – Ground was broken in the United States on the construction of 111,600 single-family homes in June 2021, the largest monthly total nationwide since September 2006. The 1.12 million housing starts in all of calendar year 2021 was the largest US total reported since 2006. (source: Census Bureau, BTN Research)

Market Snapshot	Index Level	1-week Price Return	2022 Price Return
EQUITIES			
S&P 500	4,348.87	**-1.58%**	**-8.76%**
Nasdaq Composite	13,548.07	**-1.76%**	**-13.40%**
Russell 2000	2,009.33	**-1.03%**	**-10.51%**
Nikkei-225 (Japan)	27,122.07	**-2.07%**	**-5.80%**
STOXX Europe 600	460.81	**-1.87%**	**-5.53%**
RATES			
2-Year UST Note	1.47	-3 bps	73 bps
10-Year UST Note	1.93	-1 bps	42 bps

PRIME CAPITAL
WEALTH MANAGEMENT

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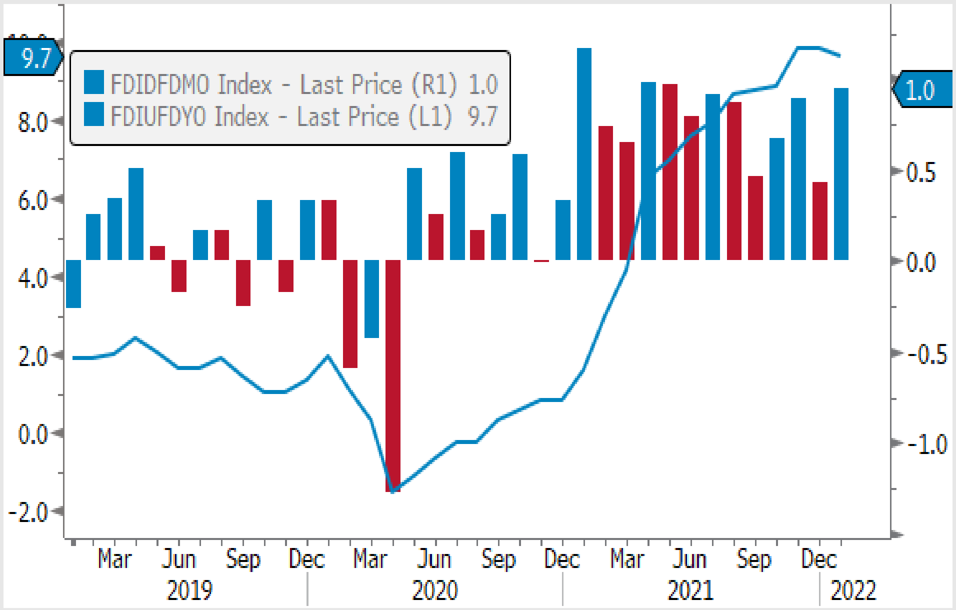
Chart of the Week

With PPI coming in at double the expected rate, +1.0% versus expectations of +0.5%, it seems that producers and consumers alike are facing red hot inflation. Producers are continuing to see upward cost pressures from snarled supply-chains and extremely tight labor markets. The +1.0% increase in PPI for the month of January was the largest increase in eight months, illustrating sticky inflation has persisted into 2022. However, December's reading was revised upward making the red-hot January reading less pronounced and as illustrated in the chart, shows that the year over year measure of PPI may have peaked at the end of last year. If producers can get a handle on cost pressures sooner rather than later, it may alleviate some inflation pressures and support more gradual action from the Fed, as opposed to extreme measures.

Have Input Costs Peaked?

Producer Price Index (PPI) Month over Month vs. Year over Year



Source: Bureau of Labor Statistics, Bloomberg

Economic Rundown

- **PPI** came in hotter than expected +1.0%, versus estimates of +0.5%.
- Coming in softer than expected, **Empire Manufacturing** was 3.1, versus expectations of 12.0.
- **Total Net TIC Flows** fell by -$52.4 billion from the previous reading of $223.9 billion.
- **MBA Mortgage Applications** fell for the second week in a row by -5.4% from the previous reading of -8.1%.
- Beating expectations, **Retail Sales Advance** landed at +3.8%, well above estimates of +2.0%.
- **Import Price Index** was above expectations of +1.2%, coming in at +2.0%.
- **Industrial Production** was stronger than anticipated for the month of January. Consensus was looking for +0.5%, but the reading came in at +1.4%.
- Coming in below expectations, **Housing Starts** landed at 1.64 million versus estimates of 1.70 million.
- **Jobless claims** came in above expectations of 218k at 248k
- **Existing Home Sales** were well above expectations of 6.1 million, landing at 6.5 million.
- The **Leading Index** disappointed consensus of +0.2%, falling by -0.3% for January.

The Week Ahead

Monday	• N/A
Tuesday	• FHFA House Price Index • Markit US Manufacturing PMI • Conf. Board Consumer Confidence • Richmond Fed Manufact. Index
Wednesday	• MBA Mortgage Applications
Thursday	• Chicago Fed Nat Activity Index • Initial Jobless Claims • GDP • New Home Sales
Friday	• Personal Income & Spending • Pending Home Sales • U. of Mich. Sentiment

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	Large Growth 0.07	Small Growth 3.24	Emg Markets 0.73	U.S. Bonds 0.21	U.S. Bonds 0.21	High Yield Bond 0.28	High
	High Yield Bond -0.17	Mid Growth 2.65	High Yield Bond 0.56	Intl Bonds -0.01	High Yield Bond 0.15	Emg Markets 0.00	
	Small Growth -0.23	Small Value 2.27	Intl Bonds 0.44	High Yield Bond -0.42	Intl Bonds -0.09	Intl Bonds -0.09	
	Small Value -0.45	Large Growth 2.26	Intl Equity 0.38	60/40 Allocation -1.08	60/40 Allocation -0.34	Small Value -0.18	
	60/40 Allocation -0.56	Emg Markets 2.17	Small Value 0.38	Real Estate -1.12	Mid Value -0.38	U.S. Bonds -0.21	
	U.S. Bonds -0.58	Intl Equity 1.84	Real Estate 0.33	Emg Markets -1.16	Intl Equity -0.42	Intl Equity -0.50	
	Intl Equity -0.65	Mid Value 1.65	Mid Value 0.31	Large Value -1.55	Large Value -0.44	60/40 Allocation -0.66	
	Mid Growth -0.66	Large Value 1.15	60/40 Allocation 0.25	Intl Equity -1.61	Real Estate -0.52	Mid Value -1.24	
	Emg Markets -0.70	60/40 Allocation 1.10	Large Value 0.18	Small Value -1.77	Small Value -0.57	Large Value -1.43	
	Large Value -0.76	Real Estate 0.76	U.S. Bonds 0.12	Mid Value -1.86	Emg Markets -1.00	Real Estate -1.48	
	Intl Bonds -0.78	Intl Bonds 0.36	Large Growth -0.05	Large Growth -2.88	Large Growth -1.08	Large Growth -1.74	
	Real Estate -0.93	High Yield Bond 0.17	Small Growth -0.20	Small Growth -3.14	Small Growth -1.38	Small Growth -1.81	
Low	Mid Value -0.94	U.S. Bonds -0.16	Mid Growth -0.22	Mid Growth -3.22	Mid Growth -1.43	Mid Growth -2.93	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.