WEEK IN REVIEW

March 04, 2022

The Bottom Line

- Global equities continued their sell off for the week as the conflict between Russia and Ukraine raged on.
- Bond yields fell for the week as market participants moved further into risk off mode. The yield on the 2-Year US Treasury Note by -8bps and the yield on the 10-Year dropped -22bps.
- Economic data releases for the week were jampacked with employment data, all of which came in above expectations and illustrated that despite geopolitical tensions, businesses are still looking for workers. Additional releases relating to manufacturing showed some signs of production moderating.

Russia – Ukraine Conflict Intensifies

Despite the US posting robust labor market data readings, market participants completely ignored the positive news, instead focusing on the Russia-Ukraine conflict. European equities, as measured by the STOXX Europe 600, took most of the selling pressure for the week, falling -7.00% as market participants priced in the impact the conflict might have on European markets. Japanese equities, as measured by the Nikkei-225, were also in the red for the week, falling -1.85% on the week. Domestic equities weren't spared from the selling pressure either as most major US indices ended the week in the red, deepening their year-to-date losses. The S&P 500 fell -1.27% for the week, now down -9.18% for the year. The tech-heavy Nasdaq Composite fell -2.78% for the week and is down an astounding -14.90% for the year so far. Small Cap equities, as measured by the Russell 2000 fell by -1.96% for the week and are down -10.89% for the year. While the Russia-Ukraine conflict has been impacting global markets, it does not appear to have materially affected the Fed's timeline for raising interest rates later this month. Fed Chairman Jerome Powell all but guaranteed a liftoff in the Fed Funds Rate during his testimony to congress earlier in the week.

Digits & Did You Knows

SMALLER HOMES – The average size of a single-family home built in the US in 2020 was 2,480 square feet, the 5th consecutive year that the national average size has declined. (source: Census Bureau, BTN Research).

HIGHEST NUMBER EVER – Mortgage debt ($10.93 trillion) and auto loan debt ($1.46 trillion) reached all-time record highs as of 12/31/2021, while student loan debt ($1.58 trillion) at the end of 2021 was just $8 billion below its all-time high. (source: Federal Reserve Bank of New York, BTN Research).

Market Snapshot	Index Level	1-week Price Return	2022 Price Return
EQUITIES			
S&P 500	4,328.87	-1.27%	-9.18%
Nasdaq Composite	13,313.44	-2.78%	-14.90%
Russell 2000	2,000.90	-1.96%	-10.89%
Nikkei-225 (Japan)	25,985.47	-1.85%	-9.75%
STOXX Europe 600	421.78	-7.00%	-13.53%
RATES			
2-Year UST Note	1.49	-8 bps	76 bps
10-Year UST Note	1.75	-21 bps	24 bps

PRIME CAPITAL
WEALTH MANAGEMENT

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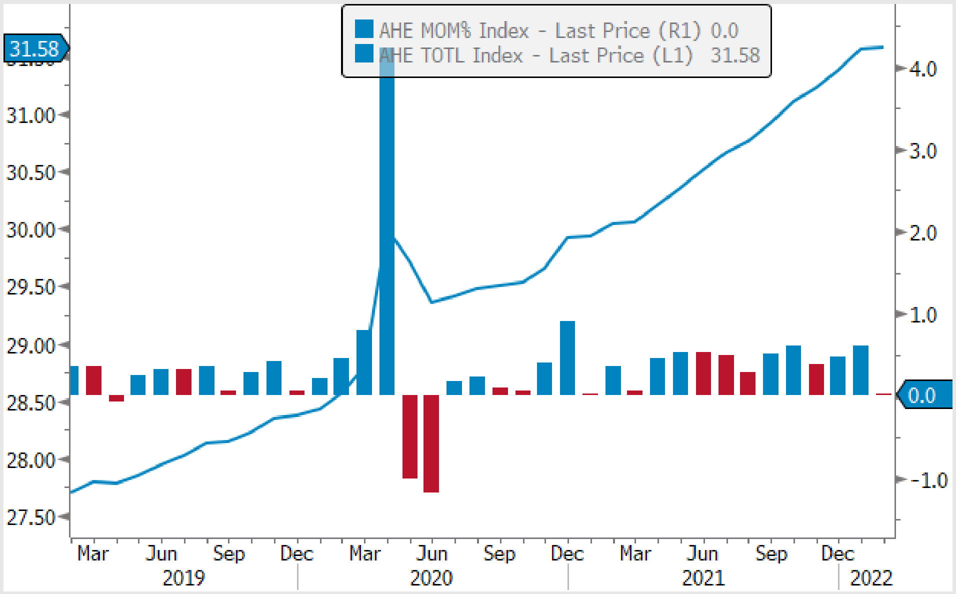
Chart of the Week

The week was riddled with employment data, all of which exceeded consensus estimates from private payroll numbers from ADP, to weekly jobless claims, to the official government Change in Nonfarm Payrolls. With all this data coming in, it's no surprise that the unemployment rate fell to 3.8% versus consensus estimates of 3.9%. Despite the robust job market, hourly earnings on a month over month basis were flat. This flat reading could be an indication that labor markets are starting to cool down as competition for employees starts to slow down, but it might also just be a seasonality effect from large pay increases during the busy holiday season. Regardless, wage costs will remain a key metric to keep an eye on as it will impact both businesses, as well as consumers and ultimately feed into inflation metrics.

Have Wages Peaked?

Average Hourly Earnings Total vs. Month over Month Change



Source: Bureau of Labor Statistics, Bloomberg

Economic Rundown

- Missing the mark, **Wholesale Inventories** for January came in below consensus estimates of +1.3%, coming in at +0.8%.
- **MNI Chicago PMI** disappointed for the month of February, landing at 56.3 versus expectations of 62.3.
- **Markit US Manufacturing PMI** was slightly below estimates of 57.5, coming in at 57.3.
- **Construction Spending** surprised to the upside, coming in above expectations of +0.1% at +1.3%.
- Coming in just above expectations, **ISM Manufacturing** for February landed at 58.6 versus consensus of 58.0.
- **MBA Mortgage Applications** fell yet again for the week, down -0.7%.
- **ADP Employment Change** came in well above expectations of +375k, landing at +475k.
- **Jobless Claims** also beat for the week, landing at +215k versus expectations of +225k.
- **Markit US Composite PMI** just missed the mark of 56.0, coming in at 55.9.
- **Durable Goods Orders** landed right in line with expectations of +1.6% for the month of January.
- **Change in Nonfarm Payrolls** smashed through estimates of +423k, landing at +678k for the month of February.

The Week Ahead

Monday	• Consumer Credit
Tuesday	• NFIB Small Business Optimism • Trade Balance • Wholesale Inventories
Wednesday	• MBA Mortgage Applications • JOLTS
Thursday	• CPI • Initial Jobless Claims • Household Change in Net Worth • Average Weekly/Hourly Earnings • Monthly Budget Statement
Friday	• U. of Mich. Sentiment

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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	U.S. Bonds 0.72	U.S. Bonds 0.56	Small Value 2.66	Real Estate 0.82	Real Estate 0.49	Real Estate 1.10	High
	Small Growth 0.46	Intl Bonds 0.05	Mid Value 2.41	U.S. Bonds 0.34	U.S. Bonds 0.40	U.S. Bonds 0.81	
	Intl Bonds 0.29	Real Estate -0.26	Small Growth 2.11	Large Value 0.07	Large Value -0.37	Small Value -0.37	
	Mid Growth 0.25	High Yield Bond -0.28	Large Value 1.97	Mid Value -0.09	High Yield Bond -0.65	Large Value -0.44	
	Large Growth 0.23	60/40 Allocation -0.86	Real Estate 1.73	High Yield Bond -0.30	Mid Value -0.84	High Yield Bond -0.91	
	Small Value 0.23	Emg Markets -1.33	Mid Growth 1.69	Small Value -0.35	Intl Bonds -0.84	Mid Value -0.96	
	High Yield Bond 0.07	Mid Growth -1.43	Large Growth 1.64	Intl Bonds -0.54	60/40 Allocation -0.94	Intl Bonds -1.69	
	60/40 Allocation -0.27	Large Growth -1.48	Intl Equity 1.26	60/40 Allocation -0.61	Small Value -1.02	60/40 Allocation -2.10	
	Mid Value -0.44	Large Value -1.54	60/40 Allocation 0.55	Emg Markets -1.41	Large Growth -1.48	Large Growth -2.53	
	Large Value -0.53	Small Value -1.84	High Yield Bond 0.24	Large Growth -1.43	Mid Growth -1.89	Mid Growth -3.48	
	Emg Markets -1.31	Small Growth -1.87	Emg Markets 0.17	Intl Equity -1.97	Emg Markets -2.02	Small Growth -3.55	
	Real Estate -1.65	Mid Value -1.95	Intl Bonds -0.67	Small Growth -2.09	Small Growth -2.14	Emg Markets -5.77	
Low	Intl Equity -1.90	Intl Equity -2.19	U.S. Bonds -1.20	Mid Growth -2.09	Intl Equity -2.90	Intl Equity -7.52	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.