Beacon Trust
INNOVATING WEALTH STRATEGY

March 21, 2022

Beacon Weekly Investment Insights

For most of the calendar year, equity markets have experienced the negative side of the volatility coin. Last week, we saw the positive side. The three major US equity indices ended the week with strong gains; the Dow Jones Industrials advanced 5.50%, the S&P 500 rose 6.16%, and the Nasdaq Composite gained 8.18%.

The main economic event of last week occurred on Wednesday when Chairman of the Federal Reserve, Jay Powell, announced that the Open Market Committee had agreed to raise the benchmark range for Federal Funds Rate by 0.25% to 0.25%-0.50%. This is the first rate hike since 2018 and the indications from the Fed are that there are more hikes to come by year end possibly approaching 2.0%. He also made a point of saying that future rate increases may need to be more than 0.25%. This is an effort to bring price stability back to the economy as current inflation is running at a 40 year high. In his press conference at the conclusion of their meeting, Chairman Powell commented on the strength of the US economy and in particular on the strength of the labor market. The next meeting takes place on May 3-4, and at that meeting, we are expecting another rate hike, and also comments surrounding the Fed's plan to reduce their $9 trillion balance sheet.

Other data released during the week was slightly mixed, but overall favorable to our thesis that the US economy remains on solid footing. US retail sales rose 0.3% in February after January's strong 4.9% rise. Excluding auto and gasoline purchases, sales actually fell 0.4%. Dating back to spring of 2021, we know how elevated auto prices are along with the scarcity of inventory, but the spike in gasoline process is something that will affect the consumer's ability to spend on other goods if it persists.

The Conference Board's Leading Economic Indicators index, which we follow quite closely, rose 0.3% in February after declining a revised 0.5% in January. Some of the negative factors were a decline in building permits (also released last week), the continued fall in equity prices, and low consumer sentiment. On the favorable side, the decline in jobless claims and an increase in ISM orders contributed to the rise.

Along with the rise in equity markets for the week, interest rates have also been climbing. The benchmark 10-Year US Treasury Note ended the week with a yield of 2.15%, up 16 basis points on the week. Generally, the yield curve rose as investors have been pricing in future rate increases and the impact of higher inflation on global growth.

This week is a bit light on the economic data front but some of the releases we will be looking at include new home sales and mortgage application data on Wednesday, durable goods orders and jobless claims on Thursday, and existing home sales and University of Michigan sentiment survey on Friday. There will also be a host of Federal Reserve Governors speaking this week so investors will be closely looking for clues for future policy projections. Chairman Powell is set to speak Monday morning. We will also be keeping a watch on commodity prices such as oil. West Texas Intermediate oil, the benchmark for US crude, closed last week at $104.70 which was down 4.2% for the week and was the second consecutive weekly decline.

Market Scorecard:	3/18/2022	YTD Price Change
Dow Jones Industrial Average	34,754.93	(4.36)%
S&P 500 Index	4,463.12	(6.36)%
NASDAQ Composite	13,893.84	(11.19)%
Russell 1000 Growth Index	2,731.06	(11.18)%
Russell 1000 Value Index	1,624.93	(1.86)%
Russell 2000 Small Cap Index	2,086.14	(7.09)%
MSCI EAFE Index	2,053.78	(12.08)%
US 10 Year Treasury Yield	2.15%	64 basis points
WTI Crude Oil	$104.70	39.21%
Gold $/Oz.	1,921.62	5.09%

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