

Beacon Weekly Investment Insights

The S&P 500 increased 2.4% last week, further extending what appears to be a nascent bull market. Second quarter earnings reports kicked off last week led by Delta Airlines and several big banks. Delta's earnings pointed to robust spending on travel and leisure by consumers, although the stock did not move much after surging more than 40% on a year-to-date basis. JP Morgan and Wells Fargo reported surprisingly robust earnings as they were slow to raise interest rates paid on deposits, while quick to raise rates on loans. Their credit card businesses also contributed meaningfully to their bottom lines. Citi's numbers were not quite as strong, but in aggregate bank earnings point to an economy that is *not* on the cusp of a recession.

Part of the reason for the market's rise last week was a more benign than expected inflation report. The latest reading of the Consumer Price Index (CPI) showed 3% inflation, a far cry from the stressful 9% inflation readings that occurred last year. Furthermore, the Producer Price Index (PPI), a measure of wholesale inflation, increased a paltry 0.1% over the same period, suggesting that future CPI readings may be subdued. These readings and a buoyant stock market helped Consumer Sentiment reach its highest level since September of 2021.

We are still a bit more than a week away from the next Federal Reserve Open Market Committee Meeting. Futures are pointing to a "one and done" sequence of actions for the Fed. In other words, a 25-basis point hike in July and then a likely pause for the rest of the year. The elusive "soft landing" scenario for the economy has moved from a pipe dream to a reasonable possibility. The benchmark 10 Year U.S. Treasury Note drifted down to 3.8% to close last week after hitting the psychologically important 4.0% level. Since financial markets tend to look ahead, a Federal Reserve shifting gears from hawkish to something more benign may be another reason for the strong year-to-date stock market rally, with the S&P 500 up more than 17% YTD.

The economic calendar is a bit light this week, but in its stead, the earnings calendar will accelerate from a trickle to a torrent. The Retail Sales Report will be released on Tuesday, providing a pulse on U.S. consumer spending habits and capacity. Last month's Housing Starts Report was unexpectedly robust. The new report will be released on Wednesday providing a further gauge of whether homebuilders believe buyers will be able to overcome higher mortgage rates.

The Conference Board's Leading Economic Indexes (LEI) report will be released on Thursday. Investors will examine the forward-looking LEI report to see if it is able to snap out of its streak of 14 consecutive months of decline. On the earnings front, among the many firms reporting this week include Bank of America, Charles Schwab, Lockheed Martin, Hasbro, Netflix, Tesla, Goldman Sachs, Johnson & Johnson, and American Express. Several of these firms are considered bellwethers and are members of the prestigious Dow Jones Industrial Average, therefore, providing a good cross-section of how the domestic and global economies are faring.

Market Scorecard:	7/14/2023	YTD Price Change
Dow Jones Industrial Average	34,509.03	4.11%
S&P 500 Index	4,505.42	17.34%
NASDAQ Composite	14,113.70	34.85%
Russell 1000 Growth Index	2,827.43	31.01%
Russell 1000 Value Index	1,566.52	4.64%
Russell 2000 Small Cap Index	1,931.09	9.64%
MSCI EAFE Index	2,188.99	12.61%
US 10 Year Treasury Yield	3.819%	-8 basis points
WTI Crude Oil	\$75.27	-6.52%
Gold \$/Oz.	\$1,959.30	7.06%



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