

Beacon Weekly Investment Insights

Stocks continued to consolidate their recent gains on the heels of abnormally strong performance in January (+6.2%) and 2022Q4 (+7.1%). The S&P 500 fell a paltry 0.3% last week, its second consecutive weekly decline. It wasn't only stocks that fell for the week. The yield on the benchmark 10 Year U.S. Treasury Note edged up roughly 10 basis points, resulting in modest losses for longer-term bonds, while Gold fell 1.5%, and Oil fell a more substantial 4.3%. Now that a bounce back from a largely disappointing 2022 has run its course, it seems like investors are pondering their next collective move.

Although asset prices mostly fell last week, a number of economic reports were unexpectedly strong. The Consumer Price Index (CPI) report was released last Tuesday with the reading of 6.4% coming in a bit higher than the consensus and well above the Fed's 2% long-term target. The Retail Sales report released last Wednesday was surprisingly robust, showing a 3% increase in January, in contrast to declines over the prior two months. A portion of the surge in spending resulted from somewhat subdued expenditures in prior months and a near-record increase in Social Security payments. However, some of the spending was fueled by record credit card debt, an unsustainable financial proposition.

The Producer Price Index (PPI) report, a measure of wholesale inflation, was released on Thursday. Its reading of +0.7% for the month and 6% on a year over year basis suggests that inflation is not likely to disappear anytime soon. The Conference Board's Leading Economic Index (LEI) was released last Friday and declined for the 11th consecutive month. Since LEI is a forward-looking measure, it portends a sluggish to declining economy, in contrast to some of the aforementioned stronger than expected economic figures.

With the 2022Q4 earnings season largely in the books and the next Federal Reserve meeting roughly a month away on March 22nd, the main near-term risks to the financial markets are primarily on the geopolitical front. Rumors are swirling of a significant escalation by Russia in its war with Ukraine. North Korea recently conducted an intercontinental ballistic missile test while complaining of joint U.S.-South Korean military exercises in the region. U.S.-China relations remain frosty after the U.S. military shot down a Chinese balloon used to conduct espionage across the continental U.S. However, President Biden says he plans to call President Xi soon in an effort to diffuse tensions.

The stock market was closed on Monday due to the President's Day Holiday. The minutes from the February 1st Federal Reserve Open Market Committee (FOMC) Meeting will be released on Wednesday. The minutes provide details on each Federal Reserve voting member's thoughts and may signal how high and long the Fed has to go until it pauses its rate hike campaign. Additionally, the minutes may reveal further insight regarding how the Fed views the decline in the rate of inflation, despite its stubbornly high levels.

The revised GDP report from 2022Q4 will be released on Thursday. The initial release showed an impressive 2022Q4 growth rate of 2.9%, likely pushing back the start date of any official recession. The Fed's preferred gauge of inflation is the Personal Consumption Expenditures (PCE) Price Index. The PCE report will be released on Friday and it offers an alternative measure of inflation that allows for substitution effects and tracks a broader cross-section of the population relative to the more familiar Consumer Price Index (CPI). The final version of the Consumer Sentiment Index published by the University of Michigan will be released on Friday. Since the consumer accounts for roughly 70% of U.S. GDP it bears watching.

Market Scorecard:	2/17/2023	YTD Price Change
Dow Jones Industrial Average	33,826.69	2.05%
S&P 500 Index	4,079.09	6.24%
NASDAQ Composite	11,787.27	12.62%
Russell 1000 Growth Index	2,367.00	9.68%
Russell 1000 Value Index	1,557.23	4.02%
Russell 2000 Small Cap Index	1,946.36	10.51%
MSCI EAFE Index	2,087.04	7.36%
US 10 Year Treasury Yield	3.828%	-5 basis points
WTI Crude Oil	\$76.32	(5.19)%
Gold \$/Oz.	\$1,851.70	1.16%



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