Beacon Weekly Investment Insights

S&P 500 remained range-bound last week, eking out a 0.4% gain. But the highlight of the week was the so-called "meme stocks", which soared beyond their fundamental values to record highs, based on a surge in retail interest on social media. The wild week of trading saw stock prices of companies such as AMC Entertainment, GameStop, BlackBerry, Bed, Bath & Beyond, Wendy's and Clover Health climb at astronomical rates in the midst of Reddit retail trading mania, before fizzling toward the end of the week. While these story stocks can continue to run up to unimaginable levels based on hype and momentum, the disparity between fundamental value and current market price does eventually narrow, especially if these companies do not meet earnings expectations.

The Biden administration and a group of Republican Senators could not come to an agreement on the infrastructure bill that they have been negotiating over the past few weeks. However, a bipartisan group of 10 centrist Senators agreed in principle on an infrastructure plan of their own that does not hike taxes. It is not clear at this point how comprehensive the plan is and how the costs are offset, but the Senators will attempt to garner support within their parties for the package that is rumored to cost approximately $1 trillion and include only physical infrastructure. A similar infrastructure plan is also being worked on by the House Problem Solvers Caucus.

On a rare bipartisan deal, the Senate passed a $250 billion tech and manufacturing bill, labeled U.S. Innovation and Competition Act, to fund semiconductor research and development to counter the reliance on overseas manufacturers. It also expands U.S. production of lithium batteries and rare earth minerals to ensure self-reliance and leadership in critical areas of science and technology.

Consumer Price Index (CPI) for May was released on Thursday. Following April's 4.2% increase, inflation for the 12 months ending in May was reported at a 13-year high of 5.0%, exceeding economists' expectations of 4.7%. Financial markets took the surge in inflation in stride, agreeing with the Fed's dismissal of the high readings as "transitory", or short-lived based on the pent-up demand following the pandemic and supply chain problems. We expect the Fed to discuss tapering its bond buying program at its Jackson Hole Economic Symposium, scheduled to take place in late August, before actually slowing down its purchases late this year or early next year.

Another economic report released last week showed that initial unemployment claims came in at 376,000, some 9,000 below the previous week, the lowest level of the pandemic era. Continuing claims also fell, dropping by 258,000 to a new low of 3.5 million. Reflecting the benefits of a strong economic recovery and improved outlook, University of Michigan's index of consumer sentiment improved more than expected to 86.4 in June from a May reading of 82.9, indicating higher confidence in the economy.

Looking ahead to this week, the Federal Open Market Committee (FOMC) will begin a 2-day meeting on Tuesday. While we do not expect any change to the monetary policy, we will be watching their inflation forecasts. Producer Price Index (PPI) will be released on Tuesday following last week's aforementioned hot Consumer Price Index (CPI) report. Retail sales, industrial production, and housing starts are also on the busy economic calendar this week. On the geopolitical front, following the G-7 Summit in Cornwall, UK this weekend where the leaders collaborated on topics such as the pandemic, global taxation, and climate change, President Biden will hold another important meeting on Wednesday, this time with the Russian President Vladimir Putin, to look for ways to repair a deteriorating relationship.

Market Scorecard:	6/11/2021	YTD Price Change
Dow Jones Industrial Average	34,479.60	12.65%
S&P 500 Index	4,247.44	13.08%
NASDAQ Composite	14,069.42	9.16%
Russell 1000 Growth Index	2,628.37	8.26%
Russell 1000 Value Index	1,587.60	17.63%
Russell 2000 Small Cap Index	2,335.81	18.28%
MSCI EAFE Index	2,365.55	10.15%
US 10 Year Treasury Yield	1.45%	54 basis points
WTI Crude Oil	$70.91	46.15%
Gold $/Oz.	$1,879.60	(0.71%)

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