Beacon Trust
INNOVATING WEALTH STRATEGY

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Beacon Weekly Investment Insights

"Just when I thought I was out, they pull me back in!" is the most famous quote from The Godfather: Part III. Just when we thought we were almost done with COVID-19, it pulls us back in. First with Delta, now with Omicron growing at an exponential rate. Instead of the Grinch, it may be Omicron that steals Christmas from some partygoers. Concerns about the Omicron variant of COVID-19, as well as the Federal Reserve's accelerated plan for tapering its quantitative easing (QE) program, led to the nearly 2% drop in the S&P 500 last week.

The takeaways from the Federal Reserve Open Market Committee meeting last Tuesday and Wednesday were noteworthy. First, the Fed's QE program is likely to end in March of 2022, relative to prior suggestions by Fed governors of an April or May timeframe. Second, the median Fed governor is forecasting three rate hikes in 2022 of 75bps in total. In short, the Fed has become more hawkish, and some market participants are concerned that the liquidity punch bowl that was responsible for at least part of the rally in stocks since the COVID-19 pandemic started is slowly being taken away. Somewhat surprisingly, the benchmark 10 Year U.S. Treasury Note remained fairly steady at 1.4%, despite the expected rise in future short-term interest rates.

Other news items have market participants in a less than festive mood. West Virginia Senator, Joe Manchin, stated over the weekend that he would not support President Biden's $1.75 trillion "Infrastructure 2" package. Recall that a bipartisan, largely physical infrastructure package was passed about a month ago, but the most recent proposal covered a host of social infrastructure programs, including making childcare and senior care more affordable. The Producer Price Index (PPI) increased a staggering 9.9% last week, the highest reading since the stagflation days of the 1970s, further roiling market participants.

Geopolitical concerns remain between Russia and members of the North Atlantic Treaty Organization (NATO). Russian troops continue to amass along the Ukrainian border, engaged in military exercises. Russian President, Vladimir Putin, has drawn a "red line" concerning NATO's possible expansion into Ukraine, saying such a breach would trigger an "asymmetrical, rapid and harsh" response. NATO, in turn, has warned of harsh economic sanctions against Russia should an invasion occur. The Russia-Ukraine-NATO conflict bears an eerie parallel to the Cuban Missile Crisis of the early 1960s, which resulted in a stock market correction and quick recovery once tensions de-escalated. Russia has proposed a new round of talks with the U.S., on the heels of a meeting earlier this month, offering some hope that the crisis may be diffused. However, another meeting has not yet been scheduled as of this writing.

Looking ahead to this week's economic calendar, the Conference Board's Leading Economic Index (LEI) will be released on Monday. LEI is a forward looking metric, comprised of a basket of ten subindexes, and is expected to show continued growth despite the aforementioned concerns. The Core Inflation Report, which excludes the volatile food and energy components, will be released on Thursday. Expectations remain for heightened inflation, increasing 0.4% over the prior month's reading or 4.8% annualized. Also on Thursday, The University of Michigan will release its revised Consumer Sentiment Survey. Consumer sentiment is expected to remain somewhat glum, at levels roughly 25% less than the period prior to the commencement of the COVID-19 pandemic in late 2019/early 2020. No significant economic reports are scheduled to be released on Friday due to the Christmas holiday. Speaking of holidays, all of us at Beacon wish you and your family and happy and healthy holiday season.

Market Scorecard:	12/17/2021	YTD Price Change
Dow Jones Industrial Average	35,365.44	15.55%
S&P 500 Index	4,620.64	23.02%
NASDAQ Composite	15,169.68	17.70%
Russell 1000 Growth Index	2,997.38	22.64%
Russell 1000 Value Index	1,608.65	19.19%
Russell 2000 Small Cap Index	2,173.93	10.08%
MSCI EAFE Index	2,278.88	6.12%
US 10 Year Treasury Yield	1.402%	49 basis points
WTI Crude Oil	$70.29	45.17%
Gold $/Oz.	$1,798.60	(5.42%)

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