

Beacon Weekly Investment Insights

In what is historically a volatile month, equity markets have retreated thus far in September. However, the S&P 500 closed down only marginally last week by roughly -0.16%, and the Dow Jones Industrial Average managed to finish the week in positive territory, closing up 0.12%. The Nasdaq however, closed down by -0.38%, amidst a continued increase in yields. The 10-year treasury yield continued to move higher, again pushing through the 4.30% level to close the week at 4.33%, up from 4.25% at the start of the week.

Last week's CPI (consumer price index) report showed an uptick in inflation at the headline level as expected, primarily as a result of higher energy/gas prices. The headline CPI rose 0.6% in August in line with expectations, and 3.7% on a year-over-year basis, slightly above expectations for a 3.6% increase. The report showed a 5.6% increase in energy prices for the month, including a 10.6% increase in gas prices. WTI Crude oil prices have been on the rise and continued to move higher last week, closing the week up 4.14% to \$91.16/barrel, amidst Saudi Arabia and Russia's extension of oil production cuts of 1.3 million barrels per day in aggregate through the end of 2023. The continued OPEC+ oil production cuts are expected to amount to a 3 million barrel per day supply shortfall for global oil markets in the 4th quarter (potentially the largest deficit in more than a decade), putting continued upward pressure on oil prices. Many airlines have trimmed earnings estimates, and the higher gas prices may also crimp consumer spending after a strong 3rd quarter. Core CPI which excludes food and energy prices, showed a more modest increase of 0.3% for the month which was slightly above expectations for an increase of 0.2%, and increased 4.3% year-over-year which was in line with expectations. The CPI data was released on Wednesday, and both the S&P 500 and Nasdaq closed the day higher, as the report was largely in line with expectations and helped to solidify the outlook for the Fed to pause interest rate hikes for the upcoming September meeting.

The PPI (producer price index) report which measures wholesale prices that are often telling in terms of future inflation trends, as well as the retail sales report, were released last Thursday. Also fueled by higher energy costs, the headline PPI rose 0.7% in August against expectations for a 0.4% increase. The increase in wholesale prices on a year-over-year basis doubled to 1.6%, from the 0.80% reading in the prior month. Excluding food and energy, the Core PPI increased 0.2% for the month which was in line with estimates, and 2.1% on a year-over-year basis. The retail sales report showed a higher-than-expected increase of 0.6% in August, significantly above estimates for a 0.1% increase. The report, which is not adjusted for inflation, underscored continued resilience from the consumer in the face of higher prices and increasing credit card debt.

Looking ahead to this week, the market will be focused on the Fed interest-rate-decision which will be announced on Wednesday when Chair Powell is slated to have his press conference, as well as on-going developments related to the UAW (United Auto Workers) union strike against the "Big Three" automakers including Ford, GM, and Stellantis. The strike began with the passage of the Thursday night deadline last week to come to an agreement. The UAW has 147,000 members, and the union is on strike for the first time since 2019. The UAW is seeking a roughly 40% hourly pay increase for its members, a reduced 32-hour workweek, the elimination of compensation tiers, and a return to traditional pensions, amongst other things. Jeep maker Stellantis is reported to have offered its workers pay raises of nearly 21% over the course of their contract, including an immediate 10% pay raise, which looks to be in line with the offers that have been made by Ford and GM.

Another potential source of short-term volatility for markets is a looming government shutdown, which is scheduled to occur by the end of the month if a deal is not struck. House Republicans have released a short-term bill that would avoid a government shutdown until October 31st. The bill includes spending cuts and has a conservative border security measure attached to it, making it unlikely to pass the Democratic-led Senate. We will provide updates as these situations continue to unfold.

From an economic data standpoint, in addition to the Fed announcement scheduled for Wednesday, a variety of housing data is set to be released. This includes the Home builder confidence index which is slated to be released on Monday, Housing starts and Building permits data which will be released on Tuesday, and the Existing home sales report on Thursday. The U.S. leading economic indicators index is also set to be released on Thursday, in addition to S&P Flash U.S. Services and Manufacturing PMI data which comes out on Friday.

Market Scorecard:	9/15/2023	YTD Price Change
Dow Jones Industrial Average	34,618.24	4.44%
S&P 500 Index	4,450.32	15.91%
NASDAQ Composite	13,708.33	30.97%
Russell 1000 Growth Index	2,779.30	28.78%
Russell 1000 Value Index	1,552.30	3.69%
Russell 2000 Small Cap Index	1,847.03	4.87%
MSCI EAFE Index	2,108.22	8.45%
US 10 Year Treasury Yield	4.33%	45 basis points
WTI Crude Oil	\$90.77	13.09%
Gold \$/Oz.	\$1,946.20	6.57%

 **Beacon Trust** 163 Madison Avenue, Suite 600 | Morristown, NJ 07960 | 973.377.8090 | BeaconTrust.com

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