Beacon Trust
INNOVATING WEALTH STRATEGY

April 8, 2024

Beacon Weekly Investment Insights

The biggest earthquake since the 1880s rocked the New York metropolitan region on Friday. The epicenter of the 4.8 magnitude quake was Whitehouse Station, New Jersey, an affluent suburb that was once the global headquarters of pharmaceutical giant, Merck. Fortunately, no significant damage or injuries were reported. There was minor seismic activity on Wall Street last week, as the S&P 500 fell 1.1% over the first week of the second quarter. Market movements last week were primarily driven by a number of economic reports that pointed to a strengthening economy. Why should the stock market fall in the face of good economic news? In short, inflation may continue to be stubbornly high, and the Federal Reserve may delay its rate cut plans. Let's discuss some of the details.

The Institute for Supply Chain Management (ISM) published its forward-looking Manufacturing and Services Purchasing Manager Indexes (PMI) last week. Both pointed to expansion, but what was noteworthy is that the Manufacturing PMI pointed to growth for the first time in more than one and one-half years. What showed even greater strength was the robust employment report that came out on Friday. The U.S. economy generated 300,000 jobs in March, a figure well ahead of the 200,000 consensus estimate. Accordingly, the unemployment rate fell from 3.9% to 3.8%. The benchmark 10-Year U.S. Treasury Note edged up 17 basis points to end the week at 4.38%, a calendar year peak and its highest level since the Thanksgiving period. Gold also moved to an all-time high last week on continued inflation concerns, ending at $2,349 per ounce.

Federal Reserve governor, Raphael Bostic, floated the idea that there may be only one rate cut this year and that it will not occur until the fourth quarter. Futures prices moved on the news, with the odds of a June cut roughly a coin flip, versus a 70%+ chance a mere few weeks ago. Rising crude oil prices also put a damper on equity prices, with oil ending the week at nearly $87 a barrel. Oil prices are up more than 20 percent year-to-date on a strengthening economy, the upcoming summer driving season, and continued tensions in the Middle East.

The first quarter earnings season will kick off this week, with J.P. Morgan, Wells Fargo, and Citigroup leading the S&P reporting season on Friday. Technology firms typically begin reporting the week after the big banks. Since tech firms account for the biggest weight in the S&P 500, their earnings will be scrutinized most closely by the financial community. The Magnificent 7 has devolved to the Magnificent 3 (Nvidia, Meta, and Amazon) this year, with the rest of the group providing middling to negative returns. Tesla, the worst performer of the Magnificent 7 this year, down 33% year-to-date, provided its investors with a glimmer of hope. Elon Musk revealed that Tesla will take on Uber by releasing its own fleet of taxis in August. The catch is that Tesla's taxis are expected to be of the fully automated kind (i.e., robotaxis), marking another technological innovation for the electric vehicle pioneer.

Inflation remains a significant concern to both consumers and policy makers. Hence, the Consumer Price Index (CPI) report released on Tuesday will be perhaps the most important economic report this week. The CPI report will be followed by the Producer Price Index (PPI) report, a measure of wholesale inflation, on Thursday. The week closes with a noteworthy report on Consumer Sentiment, which provides a reading on consumer health and emotions.

A number of Federal Reserve governors will be on the road this week. Their highly vetted remarks may give further clues related to the odds of a June or July rate cut. Lastly, a rare total solar eclipse is expected to move across North America on Monday. The next total solar eclipse is not expected to occur until August 2044. We hope you enjoy this uncommon event, while wearing your protective glasses, of course.

Market Scorecard:	4/5/2024	YTD Price Change
Dow Jones Industrial Average	38,904.04	3.22%
S&P 500 Index	5,204.34	9.11%
NASDAQ Composite	16,248.52	8.24%
Russell 1000 Growth Index	3,370.96	10.46%
Russell 1000 Value Index	1,741.62	6.89%
Russell 2000 Small Cap Index	2,063.47	1.80%
MSCI EAFE Index	2,317.36	3.63%
US 10 Year Treasury Yield	4.378%	51 basis points
WTI Crude Oil	$86.73	21.59%
Gold $/Oz.	$2,349.10	13.38%

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