Beacon Trust
INNOVATING WEALTH STRATEGY

January 31, 2022

Beacon Weekly Investment Insights

It was a topsy-turvy week for stocks, with the S&P 500 dipping into correction territory midweek, but ultimately finishing with a 0.8% gain. The S&P 500 surged 2.4% on Friday, its biggest daily gain since June 2020. January is almost in the books and, barring a phoenix-like rise on Monday, it will end with a negative return for stocks. The Wall Street expression "As January goes, so goes the year" has resulted in a false prophecy in recent years. To wit, stocks fell in both January of 2020 and 2021, yet ended the year in strongly positive territory.

The stock market drop during first part of last week was primarily driven by the Federal Reserve's comments after its most recent Federal Open Market Committee Meeting. The Fed made it clear that it will soon commence a tightening policy in a bid to tame inflation, by ending its bond purchasing program and raising short-term rates. Specifically, futures markets are pricing in a modest increase of 0.25% after the Fed's March meeting and a 1.25% increase over the course of the full calendar year.

Earnings season is in full swing, with Friday's jump due in part to a blockbuster earnings report by Apple. Apple seems headed back to the $3 trillion market capitalization mark after reporting all-time high quarterly revenue of $123.9 billion and earnings of $34.6 billion. The firm also provided a glimmer of hope with respect to easing supply chain problems which have been the bane of many companies worldwide. IBM added to the strong earnings reports from the Tech sector, but disappointing earnings from Caterpillar, GE, and Boeing suggested the Industrial sector hasn't quite regained its pre-pandemic footing.

Geopolitical issues continue to loom large, with a prospective Russia-Ukraine standoff taking center stage. The U.S. and its NATO allies are threatening severe economic sanctions should Russia move ahead with an invasion. North Korea is firing missiles again, reminding the world that it remains an unstable threat in the eastern theater. On the positive side, the Winter Olympics are set to begin in Beijing later this week. Let's hope the spirit of cooperation and friendly competition embodied by the Olympics spreads to aforementioned geopolitical hot spots. Also on the positive side, the Omicron variant of COVID-19, while still a threat, appears to be rapidly receding across the globe.

The economic calendar is fairly active this week with the turn of the month starting on Tuesday. The Institute for Supply Chain Management (ISM) will release its forward looking Purchasing Managers Indexes this week, with the Manufacturing report released on Tuesday and Services Report on Thursday. The closely watched unemployment report will be released on Friday. If the unemployment rate continues to fall from its current level of 3.9%, it may result in even more aggressive Fed tightening. Numerous earnings reports will be released this week, with Tech titans Alphabet/Google, Amazon.com, and Meta Platforms/Facebook leading the charge. A dose of tranquility will be much appreciated by a jittery market as we close the books on January in the red.

Market Scorecard:	**1/28/2022**	**YTD Price Change**
Dow Jones Industrial Average	34,725.47	(4.44)%
S&P 500 Index	4,431.85	(7.01)%
NASDAQ Composite	13,770.57	(11.98)%
Russell 1000 Growth Index	2,728.00	(11.28)%
Russell 1000 Value Index	1,596.65	(3.57)%
Russell 2000 Small Cap Index	1,968.51	(12.33)%
MSCI EAFE Index	2,201.56	(5.76)%
US 10 Year Treasury Yield	1.782%	27 basis points
WTI Crude Oil	87.29	15.69%
Gold $/Oz.	1,790.10	(2.09%)

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