Beacon Trust
INNOVATING WEALTH STRATEGY

August 2, 2021

Beacon Weekly Investment Insights

Last week in our publication, we noted that some of the largest bell weather technology companies would be reporting their quarterly earnings. Indeed, the reports from Apple, Microsoft, Facebook, Amazon, and Alphabet (parent company of Google) were headline grabbing and to some extent influential on the share price of each respective company. Although each report had positive attributes, with the exception of Alphabet, each company finished the week in negative territory by a range of 2%-9%, which influenced the market cap weighted indices. The Dow Jones Industrial Average and S&P 500 Index both finished the week down 0.4%, while the more tech heavy NASDAQ Composite fell 1.1%.

We would point out that there were earnings reports from almost 160 other companies last week that did not grab as many headlines. When removing the market cap bias of the indices, an equal weighted S&P 500 would have risen slightly more than 0.5% last week. Also encouraging was the small cap Russell 2000 index which gained 0.8% on the week. Our point here is not to focus so much on daily or weekly data, but extend your time frame, look under the hood, and you generally see the forest through the trees. Earnings as a whole have been quite strong with 87% of companies reporting thus far have exceeded revenue expectations, while 88.5% have beat earnings expectations.

As we end the month of July, we find strength in equity indices across the globe. In the US, we have mid to high teens performance year to date. Developed country indices outside of the US have strong high single digit to low double digit returns thus far. Also, fixed income indices are providing break even to slightly higher total return for the year, due to the decline in interest rates.

On the economic front last week, the first estimate of second quarter U.S. GDP was released at a 6.5% annualized rate, which was about 2.0% below expectations. The main drag on growth seems to be supply chain issues that we have talked about extensively in past writings creating an inventory drag. The positive in the report was almost 10% annualized growth in private sector spending, pointing to continued strong pent-up demand and hopefully a catch up in supply as the year progresses. One encouraging statistic is with the first and second quarter growth, the US economy has now surpassed its pre-pandemic size!

Other economic releases of note for the week included June's personal consumption rising at a 1% seasonally adjusted rate, confirming a healthy consumer. Personal savings rates also declined during the month to a 9.4% level. Inflation also remains in the conversation as the personal consumption expenditures price index rose 3.5% in June. Finally, the Case Shiller Home Price Index reported a 16.6% rise in home prices for the year ended May 31, the highest growth since the index started in 1987.

The Federal Open Market Committee also had a two day meeting last week and as expected, there was no change in monetary policy. The commentary that followed by Chairman Jerome Powell gave few indications that the Committee may begin to taper their monthly bond purchases, but the timing remains vague. The Committee also continues to believe that inflation pressures we have seen in recent reports remains transitory, and their focus is on the US economy having stronger employment. Last week again, the initial jobless claims release remained stubbornly elevated at 400,000 claims although below the prior week of 424,000 claims.

We would be remiss to not mention a few concerning developments. The week began with a market drawdown as Chinese regulatory authorities continue to crack down on technology companies causing those indices to fall further. We will continue to monitor how this regulatory crackdown may filter into companies such as Starbucks and Apple that have significant presence in that nation. Also the Delta strain of COVID-19 continues to spread rapidly causing some local governments such as Los Angeles County and Washington DC to reinstate indoor mask mandates even for vaccinated individuals. Obviously this becomes top of mind as we look into the fall, especially back to school season, and the effect on the economy and overall health.

This week is a fairly heavy week for economic data as we turn the calendar to August. We will pay particular attention to both ISM Manufacturing on Monday with ISM Services following on Wednesday. PMI Composite will also be released Wednesday followed by initial jobless claims on Thursday. Friday will bring the much anticipated Employment report for July. We will also have more corporate earnings to report on as well.

Market Scorecard:	**7/30/2021**	**YTD Price Change**
Dow Jones Industrial Average	34,935.47	14.14%
S&P 500 Index	4,395.26	17.02%
NASDAQ Composite	14,672.68	13.85%
Russell 1000 Growth Index	2,821.38	16.21%
Russell 1000 Value Index	1,574.16	16.64%
Russell 2000 Small Cap Index	2,226.25	12.73%
MSCI EAFE Index	2,341.81	9.05%
US 10 Year Treasury Yield	1.22%	30 basis points
WTI Crude Oil	$73.71	52.95%
Gold $/Oz.	$1,814.19	(4.43%)

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