Beacon Trust
INNOVATING WEALTH STRATEGY

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Beacon Weekly Investment Insights

It was a busy week on the economic front and it was all good news. First quarter U.S. GDP grew at 6.4% annual rate as consumer spending picked up 10.7% thanks to a fresh round of stimulus checks. Consumer confidence index easily beat the 113 estimate and jumped to a 14-month high of 121.7 in April thanks to the resurgent economy and improving job market. U.S. durable goods orders continued to increase in March to $256 billion after a dip in February. Orders have now increased in 10 of the past 11 months, boosted by strong consumer spending following government stimulus payments. Home prices rose by 12% nationally, the highest rate in 15 years, with very strong demand and tight supply. Initial jobless claims continued to tick down to pandemic-era lows and U.S. household income rose 21.1% in March, largest increase since 1959!

It was a busy week on the earnings front as well, especially for the "Big Tech" or the "Big 5", and they all delivered blockbuster results. Microsoft reported 19% annualized revenue growth in the first quarter, exceeding analysts' estimates. Azure, its cloud services business, contributed significantly to growth with a 50% increase in revenue. Alphabet also exceeded analysts' expectations with a 34% increase in revenue, driven by higher advertising revenue. Apple reported a blowout quarter with a 54% jump in sales including a 66% jump in iPhone sales. Facebook revenue jumped 48%, driven by an increase in number of ads shown as well as an increase in the average price of an ad on the social media platform. Lastly, Amazon sales surged 44%, smashing expectations in its e-commerce business lifted higher by the pandemic.

The Federal Reserve met Tuesday-Wednesday of last week, and as expected did not make any changes to its easy monetary policy. It held the short-term borrowing costs near zero and maintained its bond purchase program to keep the longer-term borrowing costs low. The Fed acknowledged that the economic recovery has advanced more rapidly than expected, but cited transitory nature of inflation, uneven recovery in the labor market and a long pathway ahead to normalization in the public health crisis as reasons to remain dovish despite the robust economy.

President Biden delivered his first speech to the Congress on Wednesday. He laid out his ambitious plan to expand the role of federal government on many economic and social fronts, including a $2 trillion physical and social infrastructure plan (American Jobs Plan) and a newly announced $1.8 trillion plan for families, children, and students (American Families Plan). The hefty price tag of these two proposed plans as well as the $1.9 trillion Covid-19 plan signed into law in March (American Rescue Plan) is a top concern for many investors, as the massive spending has to be paid for by higher taxes on large corporations and high income-earners.

As we turn the calendar from April to May, S&P 500 price index is up 11.3% for the year on the back of successful vaccination program, robust economic growth, solid corporate earnings, large fiscal stimulus, and easy monetary policy. Dow Jones Industrial Average and Nasdaq Composite are also up sharply, 10.7% and 8.3%, respectively. Since the Election Day through President Biden's first 100 days, S&P 500 rallied a whopping 24.1% in what has been one of the best post-election stock market performance during the first few months of a new president. It is hard to attribute all of the gains to President Biden though, as he had the fortune of coming into office in the early innings of a strong economic recovery.

While the stock market returns have been stronger than we expected, there are plentiful factors that keep us wary: 1) high valuations across financial assets, 2) higher input costs creating inflationary pressures, 3) likelihood of higher corporate taxes leading to lower earnings per share, and 4) possibility for early tightening of monetary policy, to name a few. While the summer months are hot, equity returns have traditionally been cooler during the middle part of the calendar years. One hot report we expect this week is the April jobs report, which is expected to show around 1 million jobs added during last month, mostly in the leisure and retail industries.

Market Scorecard:	4/30/2021	YTD Price Change
Dow Jones Industrial Average	33,874.85	10.68%
S&P 500 Index	4,181.17	11.32%
NASDAQ Composite	13,962.68	8.34%
Russell 1000 Growth Index	2,611.16	7.55%
Russell 1000 Value Index	1,551.35	14.95%
Russell 2000 Small Cap Index	2,266.45	14.77%
MSCI EAFE Index	2,268.51	5.63%
US 10 Year Treasury Yield	1.63%	71 basis points
WTI Crude Oil	$63.58	31.04%
Gold $/Oz.	$1,767.70	(6.62%)

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