Beacon Trust
INNOVATING WEALTH STRATEGY

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Beacon Weekly Investment Insights

There were no shortage of market drivers last week, both from a macroeconomic and earnings standpoint. Ultimately, equity markets closed the week in positive territory, with the S&P 500 up 2.7%, the Dow Jones Industrial Average up 0.70%, and the Nasdaq ending the week up 4.2%. These returns were in the face of a downside surprise for Q1 GDP, as well as a somewhat hotter than expected reading for Core PCE (personal consumption expenditures index), the Fed's preferred measure of inflation, on a year-over-year basis. After declining in the prior week, WTI Crude oil prices increased somewhat last week, closing at $83.85/barrel. The 10-year treasury yield also finished the week up slightly, moving up to 4.67% from 4.61% to start the week.

As noted above, first quarter U.S. GDP growth came in below expectations, with a reading of 1.6%. Expectations were for 2.2% growth, and this was down from the prior reading of 3.4%. Consumer spending continued to grow in the quarter, although by less than expected, increasing 2.5% relative to expectations for 3% growth. Fixed investment and government spending were positive contributors to GDP growth, with a decline in private inventory investment and an increase in imports weighing. The Core PCE report that was released last Friday was a key focus for markets as well. Inflation as measured by the Core PCE, increased 0.3% month-over-month, which was in-line with expectations. However, the reading came in slightly higher than expected on a year-over-year basis, at 2.8% relative to expectations for a 2.7% increase. The more or less in-line inflation report reinforces that rate cuts are not likely in the near-term.

The S&P Flash U.S. Services and Manufacturing PMI reports were also released last week, with manufacturing narrowly in contraction with a reading of 49.9 (any reading below 50 signifies contraction, while any reading above 50 signifies expansion), while the flash services PMI reading for April was narrowly expansionary at a reading of 50.9. New home sales were also released and came in meaningfully higher than expectations for March, with 693,000 new homes sold relative to expectations for 669,000 homes and up from the prior reading of 637,000. The close to 9% increase in new homes sales for March was driven by strength in the Northeast, with sales up 28%. Pending home sales also saw an unexpected jump, increasing 3.4% in March relative to expectations for sales to be flat, and up from the prior month's increase of 1.6%.

A primary driver for the S&P 500 last week came from the strong earnings reports for both Microsoft and Alphabet, which reported earnings last Thursday, and helped to push the index up by 1.3% on Friday (Microsoft currently has a weighting of 7% in the S&P 500, while Alphabet has a weighting of roughly 4.5%). Both companies exceeded expectations, and reassured Wall Street relative to their outlooks. Notably, Microsoft's cloud product Azure showed strong growth of 31%, 7% of which was attributed to growth from AI. Alphabet saw strong gains in its search and YouTube ad businesses, also posting strong growth in its cloud segment of 28%, which continues to become a more meaningful percentage of the company's overall revenue base. Alongside the strong report, Alphabet also announced that it will be initiating its first ever dividend. From a broader perspective and with 46% of companies in the S&P 500 having reported earnings to this point, 77% of companies have reported earnings that were better than expected (in line with longer-term averages), while 60% of companies have reported revenues that were above expectations (lower than long-term averages). Aggregate earnings growth for the first quarter stands at 3.5%, which is essentially in-line with expectations heading into the quarter. We will continue to provide updates as earnings season unfolds.

Looking ahead to this week, markets will be focused on the upcoming Fed meeting and Chair Powell's comments in the press conference on Wednesday. Although the Fed is widely expected to keep interest rates on hold for the upcoming meeting, market participants will be listening closely to commentary around the potential path for interest rates as the higher for longer narrative has continued to gain steam amidst higher than expected inflation reports so far this year. The ADP employment report and ISM Manufacturing data are due out on Wednesday, with the more closely watched U.S. employment report as well as ISM Services data due out on Friday.

Market Scorecard:	**4/26/2024**	**YTD Price Change**
Dow Jones Industrial Average	38,239.66	1.46%
S&P 500 Index	5,099.96	6.92%
NASDAQ Composite	15,927.90	6.11%
Russell 1000 Growth Index	3,301.59	8.19%
Russell 1000 Value Index	1,704.23	4.59%
Russell 2000 Small Cap Index	2,002.00	(1.24%)
MSCI EAFE Index	2,275.32	1.75%
US 10 Year Treasury Yield	4.67%	79 basis points
WTI Crude Oil	$83.85	17.03%
Gold $/Oz.	$2,347.20	13.29%

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