Beacon Weekly Investment Insights

We would consider last week a continuation of the equity market consolidation that began near the end of July as equity sector and market capitalization performance broadens out from the strength of the “Magnificent 7” throughout the beginning part of the year. Of course, the Magnificent 7 was a term to describe the top 7 market capitalization weighted companies within the S&P 500, (Apple, Microsoft, Meta, Amazon, NVIDIA, Alphabet, and Tesla) which had accounted for about 75% of the entire index performance through June 30, 2023. On the week, the NASDAQ Composite declined the 1.9%, the S&P 500 declined 0.3% while the Dow Industrials gained 0.6%.

Most of the attention was focused on the two inflation reports released by the Labor Department, Consumer Price Index (CPI) and the Producer Price Index (PPI) on Thursday and Friday respectively. The CPI rose only 0.2% for the month of July, the same pace as June’s release. Investors were positive initially as moderating prices may allow the Federal Reserve to end the interest rate hiking cycle if this trend continues. Within the report, an increase in housing by 0.4% accounted for most of the overall rise, as others balanced out. For example, hotel and airline prices moderated, while restaurant and bar process rose. Used car prices declined, however the auto insurance cost rose. Overall, the CPI report was rather benign, but did continue its moderating trend.

The producer price index (PPI) released on Friday painted a slightly different picture. The index rose 0.3% in July, ahead of June’s reading and, the largest monthly increase since January of this year. The reason for angst surrounding these input costs, are invariably increases at the wholesale level eventually work their way back into the retail level. The fear of potential reigniting of inflationary pressures is one of the reasons for the increase in interest rates last week, mainly in longer dated securities. The benchmark 10-year Treasury Note jumped 12 basis points during the week to end at 4.16%.

Second quarter corporate earnings season is almost complete and as of last week, about 92% of the companies within the index have reported. Somewhat disappointing is that the aggregate earnings of these companies has declined by 8.3% on a year over year basis as opposed to the down 6.4% expected at the start. The sectors providing the biggest decline in year over year earnings are more commodity based sectors such as energy and materials, while the more consumer related sectors like consumer discretionary and communication services are providing the most earnings growth.

As we look ahead to the coming week, we will have economic and corporate earnings releases that primarily focus on the consumer. On the economic calendar, we will have advance retail sales data on Tuesday, housing starts and new building permits on Wednesday, and initial jobless claims along with the Conference Board’s Leading Economic Indicator index on Thursday. Earnings reports from companies such as Target, Walmart, Home Depot, Estee Lauder, and Ross Stores will keep focus on consumer spending.

Market Scorecard:	8/11/2023	YTD Price Change
Dow Jones Industrial Average	35,821.40	8.07%
S&P 500 Index	4,464.05	16.27%
NASDAQ Composite	13,644.85	30.37%
Russell 1000 Growth Index	2,747.87	27.32%
Russell 1000 Value Index	1,581.86	5.66%
Russell 2000 Small Cap Index	1,925.11	8.54%
MSCI EAFE Index	2,129.33	9.53%
US 10 Year Treasury Yield	4.16%	27 basis points
WTI Crude Oil	$83.19	3.65%
Gold $/Oz.	$1,913.76	4.92%