

## Beacon Weekly Investment Insights

The bulls are still galloping on Wall Street. The stock market hit yet another all-time high as the week ended, with the S&P 500 now up more than 18% year-to-date on a price return basis. The earnings spigot has continued to flow with an incredible 87% of firms beating consensus earnings estimates. Yet last week's stock gains were incrementally modest, with much of the good news priced in, and against a backdrop of easy year over year comparisons. The S&P 500, Dow Jones Industrial Average, Nasdaq, and MSCI EAFE all increased between 0.8% and 1.6% last week.

Friday's unemployment report was the best since President Biden took office in January. The U.S economy added 943,000 jobs, a figure well ahead of the 870,000 consensus estimate. The unemployment rate fell from 5.9% to 5.4%, the largest drop since last October. Long-term interest rates edged up on the strong job report, with the benchmark 10-Year Treasury Note rising from 1.18% to 1.29% over the course of the week. Employers have dealt with the labor shortages by raising wages at a 4% annual clip. Wage inflation combined with commodity inflation may indicate that future inflation rates will not be as transitory as the Federal Reserve has been claiming. We'll get some more color on this topic on Wednesday when the latest inflation report will be released. In addition, Fed Chair Jay Powell will be giving a highly anticipated speech at the Fed's annual Economic Policy Symposium in Jackson Hole, WY near the end of the month.

Perhaps the most famous quote from Godfather III - "Just when I thought I was out ... they pull me back in" – reminds us of the ongoing COVID-19 pandemic. Not too long ago, much of the country rejoiced in the "mask off" guidance from the Center for Disease Control (CDC). With the Delta variant of COVID-19 accelerating around much of the country and world, the CDC has went back to a "mask on" recommendation for indoor gatherings in areas with high COVID-19 infection rates. As the month unfolds the "back to school" season will commence for much of the country, resulting in another test of our COVID-19 preparedness.

In the ongoing battle to rid the planet of the COVID-19 scourge, more companies, such as Alphabet, Facebook, Cisco Systems, Walt Disney, and Walgreens, are requiring their employees to be vaccinated or undergo daily COVID-19 testing. In our view, once the COVID-19 vaccines move from "emergency" approval status to "fully" approved by the Food and Drug Administration (FDA) more companies and schools will follow suit with policies ranging from strongly encouraged to required vaccination. Dr. Anthony Fauci, The U.S. government's top infectious disease expert, has suggested full approval for at least the Pfizer vaccine, is likely to come within a few weeks.

The long-debated infrastructure bill continues to work its way through the Senate. The lack of agreement thus far speaks to both the complexity of the legislation as well as the challenges of creating bipartisan agreements in the current political environment. We remain confident that some form of an infrastructure package will ultimately be approved since the country needs to enhance its broadly defined infrastructure to effectively compete on a global basis. For example, ensuring that most American households have access to affordable broadband service is essential to both educational services and "work from home" projects undertaken during the pandemic.

As noted above, the highlight of this week's economic calendar will be the Consumer Price Index (CPI) report, released on Wednesday. The inflation reading is expected to remain in excess of 5%, but market analysts will closely parse the data to differentiate between transitory and long-term inflationary pressures. In parallel to the traditional CPI report is the Core CPI report, also released on Wednesday. The Core CPI number excludes food and energy inflation, which tend to be more volatile than the other components of the inflation index. The Consumer Sentiment Survey, published by the University of Michigan, will be released on Friday. Consumer Sentiment has been improving since the depths of the pandemic, but still has not yet returned to pre-pandemic levels.

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<b>Market Scorecard:</b>	<b>8/6/2021</b>	<b>YTD Price Change</b>
Dow Jones Industrial Average	35,208.51	15.04%
S&P 500 Index	4,436.52	18.12%
NASDAQ Composite	14,835.76	15.11%
Russell 1000 Growth Index	2,847.92	17.31%
Russell 1000 Value Index	1,587.47	17.62%
Russell 2000 Small Cap Index	2,247.76	13.82%
MSCI EAFE Index	2,344.82	9.19%
US 10 Year Treasury Yield	1.290%	+37 basis points
WTI Crude Oil	\$67.84	40.11%
Gold \$/Oz.	\$1,763.70	(7.25%)

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