Beacon Trust
INNOVATING WEALTH STRATEGY

January 17, 2023

Beacon Weekly Investment Insights

All eyes last week were focused on Thursday's release by the Labor Department of December's consumer price index. As anticipated, the data reflected a continued moderation of prices by .10% from November's data. The overall index rose 6.5% year over year and is now well below the 2022 peak of 9.1% seen in June. Core inflation, a measure which excludes volatile food and energy prices, rose 0.3% from November, but the year over year comparison has eased to 5.7% versus 6.6% in September. There is continued evidence of price declines in goods, such as automobiles, sports equipment and airline tickets, along with certain services. With that, Chair Powell has recently dissected the data even further to exclude prices for food, energy, shelter, and goods as he focuses more on the wage pressure and the persistently "tight" labor market to examine its effects on the overall data. Job opening data remains elevated with the JOLTS data revealing 10.5 million openings nationwide.

Consumer sentiment measures also showed an increase in December with the release of the University of Michigan's Index on Friday. Investors are encouraged by the trajectory of inflation even though the data remains well above the Federal Reserve's stated target of 2.0% inflation. They are also encouraged by the comments from regional Fed President's like Philadelphia's Patrick Harker who commented that his view, future rate hikes of 25 basis points, (0.25%) would be appropriate. The next Open Market Committee meeting begins January 31st with the rate decision to be published on February 1. Examining futures markets, expectations have clearly shifted to a 25-basis point increase.

We also began fourth quarter corporate earnings season last week with a few releases across industries. Global banks such as JP Morgan, Citigroup, and Bank of America, spurred on by the higher interest rate environment, reported ahead of consensus expectations, but forward commentary was viewed as "uncertain" at best. Delta Airlines also exceeded in a robust consumer travel environment, but their forecast was slightly downbeat as well.

While it is very early in the earnings season, expectations for overall sales growth is about 4.2% while earnings growth is forecasted at about -2.0%. This is intuitive given the inflationary environment for 2022, but if prices continue to moderate, this could paint a better picture for later in 2023. Over the next two to three weeks, we will be flush with earnings reports and commentaries to report on.

One final point of discussion for this week that is surfacing in the press is the US Federal Debt Ceiling. Last Friday, Treasury Secretary Janet Yellen warned Congress that the US Government was about to bump up against the approximate $34 trillion dollar debt ceiling. This harkens back to 2011 when the then Republican led Congress threatened not to raise the debt limit, causing S&P to cut the rating of US Government debt from the vaunted AAA status. Financial markets reacted negatively in the short run, but eventually returned to normal functioning as no default, or threat of default occurred. This same political wrangling over debt and spending will likely occur with the newly elected Congress taking the reigns with a Republican led House of Representatives and a Democratic controlled Senate. Importantly, at this point, we do not expect any major disruption or an unprecedented default of US Government debt.

The holiday shortened week ahead economic data releases will focus on the US consumer and housing data. The Census Bureau will release December retail sales on Wednesday followed by the NAHB housing market index for January. On the inflation front, the Producer Price Index will be released as well on Wednesday expected to moderate from November. Data on housing starts and building permits will come on Thursday followed by existing home sales data on Friday. Additionally, corporate earnings will continue with the likes of Goldman Sachs and Morgan Stanley beginning the week on Tuesday.

Market Scorecard:	1/13/2023	YTD Price Change
Dow Jones Industrial Average	34,302.61	3.49%
S&P 500 Index	3,999.09	4.16%
NASDAQ Composite	11,079.16	5.85%
Russell 1000 Growth Index	2,251.86	4.34%
Russell 1000 Value Index	1,562.86	4.39%
Russell 2000 Small Cap Index	1,887.03	7.14%
MSCI EAFE Index	2,080.35	7.02%
US 10 Year Treasury Yield	3.51%	-38 basis points
WTI Crude Oil	$79.86	(0.50)%
Gold $/Oz.	$1,920.23	5.27%

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