Beacon Trust
INNOVATING WEALTH STRATEGY

September 7, 2021

Beacon Weekly Investment Insights

Labor Day traditionally marks the unofficial end of summer, but the stock market remains in a festive mood. The S&P 500 increased 0.6% last week, closing near an all-time high. The S&P 500 has surged an impressive 20.75% year to date, on a price return basis, roughly double its long-term average. Growth and Value have been battling neck and neck for market superiority over the course of the year with both styles within striking distance of each other, as shown in our Market Scorecard below.

Yet, despite these impressive results there is a palpable sense of anxiety as we proceed through September, historically the worst month for stocks. The Fed has signaled it is likely to begin the tapering of its bond buying program by year end and the Delta variant of COVID-19 continues to spread across much of the country, particularly affecting the unvaccinated. The United States' exit last week from Afghanistan after 20 years of war, although largely a political story, has stirred up some deep emotions.

As the market climbs its proverbial wall of worry, our long-term outlook remains unchanged. Specifically: (1) we expect volatility to increase; (2) we believe that corrections are an inherent part of the stock market, (3) we believe consistent market timing is virtually impossible, especially for taxable accounts; (4) in our view, stocks should be overweighted versus bonds in an environment with sharply negative real yields; and (5) intelligent diversification is the best way to navigate the inevitable market volatility.

Hurricane Ida devastated a sizeable part of the Louisiana coast and resulted in severe flooding in the New York metropolitan area, especially affecting our home state of New Jersey. More important than the physical damage, the death toll from the storm reached 60 lives and our hearts go out to those affected. We hope the aftermath of the storm will increase the resolve of Congress to finalize its long-debated infrastructure spending package. We can't tame Mother Nature, but a robust infrastructure may limit her storms' damage.

The major economic event last week was the release of the unemployment report. Most analysts viewed the report as quite disappointing, despite the drop in the headline unemployment figure from 5.4% to 5.2%. To wit, only 235,000 jobs were added last month versus the 733,000 consensus estimate. It was the fewest number of jobs added since January. The current revisionist thinking is that the jobs number was so far below expectations due to the spread of the Delta variant of COVID-19. The tepid unemployment report does give the Fed extra breathing room as it saunters towards its inevitable taper.

The economic calendar is truncated this week due to the Labor Day holiday. No major economic reports will be released on Monday or Tuesday. The Beige Book will be released on Wednesday. The Beige Book, more formally known as the Summary of Commentary on Current Economic Conditions by Federal Reserve District, is a report published by the Federal Reserve Board eight times a year in advance of its Federal Open Market Committee Meeting, the main venue for changes to Fed policy. In short, it contains important data compiled by the Fed's regional banks that voting members consider when setting policy.

The jobless claims report will be released on Thursday, which will provide additional input regarding trends in unemployment. Perhaps the most relevant economic report of the week will be released on Friday, when the Producer Price Index (PPI) is released. The PPI is a measure of wholesale inflation, which often filters its way into the Consumer Price Index (CPI). We expect the PPI to remain elevated and will watch the report closely and its potential impact on interest rates.

Market Scorecard:	9/3/2021	YTD Price Change
Dow Jones Industrial Average	35,369.09	15.56%
S&P 500 Index	4,535.43	20.75%
NASDAQ Composite	15,363.52	19.21%
Russell 1000 Growth Index	2,940.52	21.12%
Russell 1000 Value Index	1,606.12	19.01%
Russell 2000 Small Cap Index	2,292.05	16.06%
MSCI EAFE Index	2,389.45	11.27%
US 10 Year Treasury Yield	1.322%	41 basis points
WTI Crude Oil	$69.10	42.71%
Gold $/Oz.	$1,829.90	(3.77%)

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