Beacon Trust
INNOVATING WEALTH STRATEGY

July 1, 2024

Beacon Weekly Investment Insights

It's hard to believe that we are already at mid-year 2024. Even though the much-anticipated Fed pivot has yet to occur the markets have been resilient. Through the first half the S&P 500 is up 14.48%, the NASDAQ rose 18.13%, and the DJIA increased a modest 3.79%. More importantly is the narrowness of the market. So far, this year is shaping up to be the 5th most concentrated year since 1952. The top 5 performing stocks (Nvidia, Alphabet, Microsoft, Meta, and Amazon) account for 60% of the S&P 500 composite return and Nvidia alone represents 30%. Conversely, the equal weighted index, where each member is assigned the same percentage weight, is up 6%. So, the broader market has had a respectable return to date but far short of the frequently referenced composite index.

This type of divergence is not unprecedented. Historical data demonstrates periods of notable concentration. For instance, during the 2020-2021 the market rally was driven by a handful of mega-cap tech stocks, the Composite significantly outperformed the Equal Weight. Conversely, in subsequent periods where market breath broadened and small caps participated, the equal weighted benchmark showed relative strength. This again occurred in late 2023 through early 2024. So, it is not unusual for these divergences to exist, but they do seem to return to normal. The unknown is when not if, though this may persist for some time. We anticipate normalization to occur when the Fed pivots to a more accommodative stance resulting in a broadening of the market. As to timing this remains fluid. Currently the market is anticipating a 70% chance in September but don't be surprised if it's deferred until December if they remain vigilant to reach 2%. Conversely there are signs of weakness, especially the consumer (noted below), which could cause the Fed to move sooner rather than later to achieve a soft landing avoiding a recession.

This past week was a busy one for economic data that will ultimately determine the Fed's timing. On Tuesday, Consumer Confidence came in at 100.4 down from the revised May number of 101.3 and consensus estimate of 100. The weakness can be attributable to a continued strong labor market but persistent concerns over higher prices especially in areas most impacting consumers such as housing, food, energy, and insurance. This coupled with the exhaustion of excess savings from pandemic savings has put many in financial stress. Wednesday brought an 11.3% decline in new home sales to 619,000 but a positive revision to the prior month of 95,000. Builder sentiment tumbled in June with weakness in buyer traffic despite some softness in mortgage rates. The rate for a 30-year fixed-rate mortgage averaged 6.87% last week, down from the previous week when it averaged 6.95%. A year ago, the 30-year rate was 6.67%. We would expect new home sales to move sideways being held hostage to the volatile interest rate environment. Thursday, being the second busiest day of macro data, saw the all-important 1Q GDP (second revision) come in at 1.4% which was the slowest growth since the spring of 2022. Consumer spending rose 1.5% weaker than the 2% estimate; a sign that higher interest rates may be taking their toll as credit card debt increases and delinquencies rise. Also impacting growth was a surge in imports and drop in business inventories. Initial jobless claims fell 6000 to 233,000 from 239,000 the prior week. Currently 1.84 million people are collecting unemployment: the 8th week of increases. Durable-goods orders in the U.S. inched up in May, rising for the fourth month.

New orders for products meant to last at least three years--such as automobiles, appliances, and industrial machinery--increased 0.1% to $283.1 billion. Orders rose 0.2% in April, a downward revision from the originally reported 0.7% rise. Transportation equipment orders drove the increase, climbing 0.6%, while excluding defense, orders fell 0.2%. The final announcement on Thursday was Pending Home Sales which declined 2.1% in May. Month over month contract signings declined in the Midwest and South but increased in the Northeast and West. Compared to a year ago pending home sales have declined across all regions reflecting the lack of inventory and challenging mortgage rate environment. The long-awaited announcement came Friday morning when PCE, the Fed's preferred gauge of inflation, came in at 2.6% year over year in line with estimates. Core PCE rose 0.1% month over month and 2.6% year over year both in line with expectations. Personal spending and income rose 0.2% and 0.5% respectively; estimates were for 0.3% and 0.4%.

It would be remiss not to briefly acknowledge the first Presidential debate Thursday night. Though for many, there were few surprises with little market impact, as little was revealed about future policies. With a present and past President on the ticket investors are aware of how they will govern. Suffice it to say that we are early in the process.

Both the RNC and DNC conventions will commence this summer shedding more light on the candidates and their platforms.

Earnings are now largely behind us as investors anticipate the start of the 2Q earnings announcements scheduled to begin with the banks in a couple of weeks.

This will be a holiday interrupted week as the markets will be closed in the US on Thursday celebrating July 4th. Trading in the equity and fixed income markets should be muted as many will be on holiday for all or part of the week. However, we will get the ISM for June, the JOLTS report, and on Friday the Bureau of Labor Statistics non-farm payrolls. These will be influential as the FOMC meets in late July.

Market Scorecard:	**6/28/2024**	**YTD Price Change**
Dow Jones Industrial Average	39,116.46	3.79%
S&P 500 Index	5,480.39	14.48%
NASDAQ Composite	17,732.60	18.13%
Russell 1000 Growth Index	3,669.91	20.26%
Russell 1000 Value Index	1,718.34	5.46%
Russell 2000 Small Cap Index	2,047.69	1.02%
MSCI EAFE Index	2,307.56	3.19%
US 10 Year Treasury Yield	4.39%	51 basis points
WTI Crude Oil	$81.46	12.87%
Gold $/Oz.	$2,330.90	12.75%

BeaconTrust 163 Madison Avenue, Suite 600 | Morristown, NJ 07960 | 973.377.8090 | BeaconTrust.com