Beacon Trust
INNOVATING WEALTH STRATEGY

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Beacon Weekly Investment Insights

“Hawkish cut” is a new term that entered the financial markets lexicon in recent days. It describes a cut in interest rates by the Federal Reserve (Fed), generally viewed as a “dovish” move, in concert with an outlook of fewer to zero interest rate cuts going forward. As expected, the Fed cut interest rates 0.25% last Wednesday. However, its outlook on the path of future rate cuts sent stocks reeling. Fed Chair, Jay Powell, noted “From this point forward, it's appropriate to move cautiously and look for further progress on inflation,” Later, he added, “I think from here it’s a new phase and we’re going to be cautious about further cuts." The S&P 500 fell 3% after the Fed meeting on Wednesday, its largest daily loss since August. The S&P 500 rebounded modestly on Friday to end the week down 2%.

The better-known Dow Jones Industrial Average fared worse, ending the week down 2.2%. It had a 10-day losing streak snapped on Friday. Prior to Friday’s gain, the Dow’s 10-day losing streak was the longest since October 1974. The gap between Growth and other equity categories, such as Value and Small Cap, has continued to widen, after briefly almost closing subsequent to the November election. As shown in the table at the bottom of this note, the Russell 1000 Growth is up an impressive 34.4% year-to-date (YTD), in contrast to the YTD figures for the Russell 1000 Value (+12.3%) and Russell 2000 Small Cap (+10.6) indexes.

One growth name, Broadcom, has continued to assert itself. Broadcom, a semiconductor firm and play on artificial intelligence, surpassed the $1 trillion market capitalization barrier and is up almost 100% YTD. Broadcom’s ascendency has resulted in a new nickname for leading technology stocks. First, there was FANG, then The Magnificent 7, and now BATMAAN (Broadcom, Apple, Tesla, Microsoft, Alphabet, Amazon, and NVIDIA).

Clearly last week’s Fed meeting was the economic highlight of the week, but a number of other economic reports were released. The Conference Board’s Leading Economic Index (LEI) increased by 0.3% in November. The modest gain was not very impressive, but it was the first increase since February 2022. Hence, this indicator suggests the economy may be picking up steam. A similar forward-looking indicator, S&P Purchasing Manager Index (PMI), also pointed to economic growth. One train of thought suggests that managers may be buying in surplus ahead of tariffs expected to be levied by the incoming Trump Administration. Supporting the near-term economic strength narrative was the revised GDP Q3 growth figure (+3.1% vs. prior estimate of 2.8%) and a Retail Sales number (+0.7% vs. prior month) that exceeded estimates. The Personal Consumption Expenditure (PCE) measure of inflation increased at an annualized rate of 2.4%, below the consensus estimate of 2.5%, and was partially responsible for the market’s relief rally on Friday.

The economic calendar this week is a bit sparse, with financial markets closed on Wednesday due to the Christmas holiday. The Consumer Confidence report will be released on Monday. Since the consumer accounts for roughly 70% of U.S. GDP, it bears watching. Reports on Durable Goods and New Home Sales will be released on Tuesday. These “big ticket” items are often impacted by longer-term interest rates. Hence, we will look to see if the recent rise in long-term interest rates over the past few months has slowed down these purchases. The weekly Initial Jobless Claims report will be released on Thursday, which feeds into the unemployment rate figure typically released on the first Friday of each month. We wish you and your family a wonderful holiday season.

Market Scorecard:	12/20/2024	YTD Price Change
Dow Jones Industrial Average	42,840.26	13.67%
S&P 500 Index	5,930.85	24.34%
NASDAQ Composite	19,572.60	30.39%
Russell 1000 Growth Index	4,100.21	34.36%
Russell 1000 Value Index	1,829.12	12.26%
Russell 2000 Small Cap Index	2,242.37	10.62%
MSCI EAFE Index	2,235.78	-0.02%
US 10 Year Treasury Yield	4.524%	66 basis points
WTI Crude Oil	$69.58	-2.45
Gold $/Oz.	$2,645.10	27.45%

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