Beacon Trust
INNOVATING WEALTH STRATEGY

November 13, 2023

Beacon Weekly Investment Insights

Financial markets took their cue from broader topics last week as we had a considerably slow week for economic data releases. Interest rates as measured by the US 10 Year Treasury Note rose slightly by 8 basis points to close at 4.65%. Major equity indices continued to post gains with an emphasis on larger mega cap growth companies. The NASDAQ Composite Index led with a 2.37% gain, while the S&P 500 gained 1.31% and the Dow Industrials rose 0.65%.

Other parts of the market are showing some concerns for the economic outlook most notably small cap stocks as measured by the Russell 2000 Index, which declined 3.14% on the week. Energy markets also declined as concerns over global growth are outweighing geopolitical concerns over potential supply disruptions. West Texas Intermediate Crude oil fell 4.2% during the week and is now off about 4% on a year-to-date basis.

Federal Reserve Chairman Jay Powell spoke on Thursday at an International Monetary Fund conference, and clearly stated that the Fed was “not confident” that they had raised rates high enough to achieve their sated goal of reducing inflation to 2.0%. This after the Open Market Committee the week before decided to leave Fed Funds rates unchanged. Market participants continue to foresee a low probability that the committee raises rates again at the December meeting, but many data points will feed into their decision between now and then.

Late Friday afternoon, Moody’s Investor Services announced a revision to their outlook for US Government debt to negative, but also re-affirmed its triple A rating. The key issue for its downgrade to the outlook is the higher rate environment, which will put upward pressure on debt affordability. Currently the Government has no clear or effective measures to reduce spending or increase revenues, which would reduce future debt issuance. According to their estimates, interest payments relative to GDP will increase to 4.5% over the next 10 years from 1.9% in 2022.

US Corporate earnings season is coming to a close, and overall, investors seem pleased with the results. Approximately 93% of companies within the S&P 500 have reported and earnings growth has been on average 2.8% higher from the third quarter of last year with revenue gains of 1.6%. This week, we will have a few important results to analyze from large retailers like Home Depot, Walmart, Target, and TJX Companies. We will be particularly paying attention to the holiday season outlook for a gauge of overall consumer spending trends.

Data released last week within the University of Michigan’s Consumer Sentiment Index showed a decline of 5.3% in November. Additionally, the one-year inflation expectation index rose 0.2% to 4.4% from October. Hopefully, this decline in sentiment measures will not translate into a decline in consumer spending patterns.

This week, we will be focused on many of the economic data releases beginning with Tuesday’s Consumer Price Index (CPI). Wednesday, wholesale pricing will be released with the Producer Price Index (PPI), along with retail sales data. Thursday along with weekly jobless claims, a gauge of manufacturing activity with industrial production/capacity utilization figures will be released along with some regional business activity indices like Kansas City, Philadelphia, and New York. The economic week will conclude with the housing starts and building permits data. As mentioned earlier, we will also be focusing on the large retailers that will report third quarter earnings this week.

Market Scorecard:	11/10/2023	YTD Price Change
Dow Jones Industrial Average	34,283.10	3.43%
S&P 500 Index	4,415.24	15.00%
NASDAQ Composite	13,798.11	31.83%
Russell 1000 Growth Index	2,836.64	31.44%
Russell 1000 Value Index	1,479.35	-1.19%
Russell 2000 Small Cap Index	1,705.23	-3.86%
MSCI EAFE Index	2,011.90	3.50%
US 10 Year Treasury Yield	4.65%	76 basis points
WTI Crude Oil	$77.17	-3.85%
Gold $/Oz.	$1,940.20	6.37%

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