Beacon Trust
INNOVATING WEALTH STRATEGY

January 28, 2025

Beacon Weekly Investment Insights

Equity markets finished the shortened holiday week last week in firmly positive territory, with the S&P 500 up 1.74%, the Dow Jones up 2.15%, and the Nasdaq up 1.65%. Small-caps, as measured by the Russell 2000 Index, finished up 1.40%. Equities responded positively to what has been a relatively good start to the Q4 earnings season, with many of the large banks having reported strong earnings and providing optimistic outlooks for deal activity going forward. In addition, Netflix had a strong report last week and added 19 million new subscribers, well above estimates and its largest increase for a single quarter, sending the stock up by close to 10%. Equities have also been receiving some support as of late from lower yields, with the 10-year treasury yield closing the week at 4.62%, well off of its high this month of 4.80%.

From a broader perspective and while still early on with roughly 16% of companies in the S&P 500 having reported earnings thus far, aggregate S&P 500 earnings growth has come in better than expected thus far at 12.7% relative to expectations for 11.8% growth. We will continue to keep you posted on this front as earnings season rolls on. Notably, many of the mega-cap tech companies including the likes of Microsoft, Apple, Meta, and Tesla will be reporting earnings this week. As the market typically closely watches the results and commentary from these companies, even more attention will be paid to management commentary subsequent to the release of the DeepSeek-R1 AI model by the Chinese AI startup which caused significant volatility in the tech sector, with Nvidia down close to 17% on Monday. The release of the AI model which is reportedly on par with or superior to Chat-GPT in terms of its capabilities and developed at a fraction of the cost with less sophisticated AI accelerator chips than what is currently available, has sparked concern over the level of AI spending that may be needed going forward. There are reports that the cost estimates to develop the DeepSeek model and the use of inferior AI chips may not be accurate. Not all companies in the Magnificent 7 cohort were down on the news, with Apple being a notable exception and finishing the day up over 3% and Meta closing up just shy of 2%. Apple may have reacted positively as smaller more efficient AI models can lead to enhancements in the AI products offered in the iPhone, and Meta may be able to benefit from efficiency gains in the development of its AI model Llama. We will continue to follow this and assess any potential longer-term impacts.

From a broader perspective, this may serve as a catalyst for a continued broadening out in the market, which we have been discussing as an expectation. To this point, the tech-heavy Nasdaq closed Monday down -3.06%, while the Dow Jones was down just -0.18%. The volatility centered in tech on Monday highlights why we continue to manage risk in terms of the position sizes of individual stocks we invest in, and why we invest in diversified portfolios with exposure to several different asset classes that help to dampen volatility and allow for positive returns in other areas of the market. For example, our more dividend oriented exposures closed the day in firmly positive territory on Monday, as did our developed international exposure. It also highlights why we continue to take a long-term approach in the management of client's portfolios, and ensure that sufficient cash is on hand to meet upcoming needs.

Last week was a relatively light one from an economic data perspective. The U.S. Leading Economic Indicators Index was released last week, and was down -0.1% which was in line with expectations, following an upwardly revised increase of 0.4% in November. Jobless claims came in slightly higher than expected at 223,000, relative to expectations for 221,000 and up from the prior week's reading of 217,000. There were some impacts as a result of the California wildfires, however numbers continue to point to low layoffs. The S&P flash U.S. Services and Manufacturing PMI's were released, with the former still in expansionary territory at 52.8, but coming in lower than expectations for 56.5, and the latter moving up into expansionary territory with a reading of 50.1 vs. expectations for 49.7. Existing home sales data were also released with a reading of 4.24 million, above expectations for 4.2

million and up from the prior reading of 4.15 million. Lastly, consumer sentiment numbers fell somewhat for the first time in six months coming in at 71.1, relative to expectations for 73.2.

Also of note, Scott Bessent was confirmed as Treasury Secretary on Monday, noting that his priority will be to extend tax cuts. As we look towards the week ahead, in addition to high profile earnings reports as mentioned above, there are a number of significant economic data releases on the docket. Durable goods orders, the S&P Case-Shiller Home Price Index, and Consumer Confidence reports are all set to be released on Tuesday. With markets not expecting a rate cut to be announced, all eyes will be on Chair Powell's commentary in his press conference on Wednesday. Q1 GDP is set to be released on Thursday, alongside Initial Jobless Claims and Pending Home Sales. Markets will also be paying close attention to the PCE inflation reading set to be released on Friday.

Market Scorecard:	**1/24/2025**	**YTD Price Change**
Dow Jones Industrial Average	44,424.25	4.42%
S&P 500 Index	6,101.24	3.73%
NASDAQ Composite	19,954.30	3.33%
Russell 1000 Growth Index	4,185.25	3.54%
Russell 1000 Value Index	1,908.55	4.64%
Russell 2000 Small Cap Index	2,307.74	3.48%
MSCI EAFE Index	2,360.81	4.38%
US 10 Year Treasury Yield	4.63%	+6 basis points
WTI Crude Oil	$74.66	4.10
Gold $/Oz.	$2,778.90	5.22%

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