Beacon Trust
INNOVATING WEALTH STRATEGY

March 25, 2024

Beacon Weekly Investment Insights

It seems quite repetitive to begin our weekly insights with the review of the major equity index performance that is positive. However, the facts are the facts, and the three major US indices posted strong results once again led by the NASDAQ Composite gaining 2.9%, the S&P 500 adding 2.3%, and the Dow Jones Industrials posting a 2.0% gain. While the weekly catalyst may change, the overarching themes continue to be a resilient US economy, corporate profitability, and the prospects for the economy and companies that embrace Artificial Intelligence.

Last week, the Federal Reserve, led by Chairman Jay Powell announced no change to their current Fed Funds target of 5.25%-5.50%, their sixth consecutive meeting with no change in interest rates. They also released their Summary of Economic Projections from the meeting that confirmed their intentions for three 25 basis point reductions to Fed Funds target by December. Futures markets are currently predicting the FOMC's June meeting for the initial interest rate cut. Within those projections, the Fed also raised the 2024 GDP target from 1.4% to 2.1%, raised the core personal consumption expenditures index from 2.4% to 2.6% and lowered the year end unemployment rate forecast from 4.1% to 4.0%. The combination of a less hawkish Federal Reserve and improving economic outlook boosted investors appetite for equity exposure.

The interest rate environment is not only a US phenomenon. Central Banks around the world have been on tightening cycles to combat global inflation in a post pandemic economy. Counterparts such as the European Central Bank and the Bank of England have also signaled possible rate cuts this year. Switzerland, in a surprise move last week, reduced short term rates. Others such as the Bank of Mexico and Bank of Brazil have already cut short term rates and are looking for opportunities to do more. We have also mentioned Japan in prior writings as their equity market eclipsed highs not seen since the late 1980's recently. Last week, the Bank of Japan formally announced the end of negative interest rates and have set policy rates at 0-0.1%.

Recent data from housing continues to point to strength, even as mortgage rates remain stubbornly above 7%. Housing starts (new construction) jumped 10.7% in February after declines in the previous two months. The trend rate has settled to about 1.4 million units on an annual basis. Home sales overall, rose 9.5% for February marking the first consecutive monthly increase in over two years. In general, this trend may continue to strengthen if expectations for lower rates comes to fruition.

In a bit of a surprise, the Conference Board's Leading Economic Indicators Index rose 0.1% versus expectations for a 0.1% decline. This breaks a 23-month streak of declines for the index. Of the 10 data components, only 3 had negative readings during the month, with the strongest increases coming from the average workweek and equity prices.

This week is holiday shortened for financial markets in the US as Friday will be closed in observance of Good Friday. On the economic calendar, we will have durable and capital goods orders released on Tuesday. Revisions to Q4 GDP, initial jobless claims and pending home sales will be released on Thursday. Consumer sentiment data will be released by the Conference Board on Tuesday and the University of Michigan survey will show on Thursday. While the financial markets are closed on Friday, personal income and spending data will be released along with the Fed's preferred inflation gauge PCE deflator.

Market Scorecard:	3/22/2024	YTD Price Change
Dow Jones Industrial Average	39,475.90	4.74%
S&P 500 Index	5,234.18	9.74%
NASDAQ Composite	16,428.82	9.44%
Russell 1000 Growth Index	3,414.18	11.88%
Russell 1000 Value Index	1,734.86	6.47%
Russell 2000 Small Cap Index	2,072.00	2.22%
MSCI EAFE Index	2,351.57	5.16%
US 10 Year Treasury Yield	4.20%	32 basis points
WTI Crude Oil	$80.63	12.53%
Gold $/Oz.	$2,165.44	4.97%

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