Beacon Trust
INNOVATING WEALTH STRATEGY

February 26, 2024

Beacon Weekly Investment Insights

The President's Day holiday shortened week last week ended with each of the three major US equity indices in record territory. The Dow Jones Industrials gained 1.3%, the S&P 500 rose 1.7%, and the NASDAQ Composite added 1.4% to already strong year to date gains. Globally, equity markets in Japan reached levels not seen since 1989, as measured by the Nikkei 225 Index.

A stronger than expected corporate earnings reporting season has largely been the catalyst. To date, 90% of the S&P 500 index constituents have reported and earnings are up 7.2% year over year on reported revenue growth of 4.2%. Consensus expectations had been for earnings growth of just 1.3% year over year. Sector wise, eight of the 11 major economic sectors are demonstrating profit growth led by communications services, technology, and consumer discretionary. Materials, energy, and healthcare sectors are showing earnings declines.

Last weeks highlight earnings release came from NVIDIA Corp., the leading chipmaker for Artificial Intelligence applications. Revenues more than tripled during the quarter, and management also gave a strong first quarter outlook. NVIDIA's shares rose 17% on Thursday, and by Friday's close, the company's market capitalization eclipsed $2 trillion.

In the face of good earnings, the financial markets have also been grappling with the timing of the Federal Reserve's anticipated rate cutting cycle. In the past few weeks, inflation data has increased slightly, while the labor market continues to exhibit strength. This has pushed out many estimates for the first rate cut out to May or June, instead of March, and the magnitude of 6 or 7 cuts during the year has softened to 3 or 4. This view is more in line with more recent Fed member comments. One bold analyst last week suggested the Fed may need to actually hike rates at some point this year if inflation persists. Our view remains unchanged in that we expect inflation to continue to moderate throughout the year which will allow for lower interest rates.

Last week was very light for economic data releases, but a few were of note. Sales of previously owned homes, the largest part of the housing market, reported a 3.1% increase month over month in January. The seasonally adjusted annual rate of 4 million homes is the highest level since last August according to the National Association of Realtors. Mortgage rates are about 1 percentage point below where they were in the fall. The Conference Board's Leading Economic Indicator Index was also released last week and fell 0.4% in January, the 23rd consecutive month of declines.

This week will prove more fruitful on the economic front. New home sales are reported on Monday while the Case Schiller 20 City Housing Price Index follows on Tuesday. Also Tuesday, durable goods and capital goods orders will be released for a gauge on Manufacturing activity. Wednesday is an annualized estimate of GDP along with the personal consumption index. Thursday, the Fed's preferred measure of inflation, the Personal Consumption Expenditures index will give us a further look at core inflation. We finish the week with consumer sentiment from the University of Michigan along with the ISM Manufacturing Index. Earnings wise, we are winding down the fourth quarter reporting season, but of note, Berkshire Hathaway, Salesforce, TJX Cos, and Hewlett Packard will be in focus.

One final note, Monday, the Dow Jones Industrial Average welcomes Amazon.com which will replace Walgreens Boots Alliance.

Market Scorecard:	2/23/2024	YTD Price Change
Dow Jones Industrial Average	39,131.53	3.83%
S&P 500 Index	5,088.80	6.69%
NASDAQ Composite	15,996.82	6.56%
Russell 1000 Growth Index	3,329.81	9.11%
Russell 1000 Value Index	1,681.02	3.17%
Russell 2000 Small Cap Index	2,016.69	-0.51%
MSCI EAFE Index	2,288.42	2.34%
US 10 Year Treasury Yield	4.25%	37 basis points
WTI Crude Oil	$76.49	6.76%
Gold $/Oz.	$2,035.40	-1.34%

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