Beacon Trust
INNOVATING WEALTH STRATEGY

October 21, 2024

Beacon Weekly Investment Insights

Since there is not a FOMC meeting in October investors will begin to actively debate the next move post the US Presidential Election. Currently, the expectation is for another 25 bpt in both November and December. Given the continued decline in inflation, unemployment hovering around 4%, reasonable economic growth and consumer resiliency some are wondering if the September 50bpt decline in the Fed Funds rate was overly aggressive, putting back on the table no further cuts in 2024. The prognostications will be fast and furious in the coming weeks. In the meantime, markets continue to march ahead with the DJIA rising 0.96%, the S&P 500 0.85%, the Nasdaq 0.80% and the Russell 2000, the small cap index, 1.87%.

If a healthy backdrop of earnings, the economy, inflation, employment and consumption persist one should not be concerned if anticipated rate declines are postponed until 2025. If this is the case, it will be a recognition that things are good; not bad and risk- on assets should continue to rise.

Given a week of light economic releases focus was on the commencement of 3Q earnings reports led by banks and other financials. In short, one must be encouraged with the start. All the major financial institutions, except for Wells Fargo, had beats on both revenue and earnings. Those with diversified businesses noted strong fixed income and equity trading, investment banking and wealth management. Some, like JP Morgan Chase, increased loan loss reserves as they expect net charge offs and credit card debt to reach elevated levels. Interestingly Bank of America, most leveraged to the consumer, commented on their strength and saw no need to increase reserves. Larger regionals benefited from higher net interest income (NII) from lower interest rates, but sluggish loan demand was an offset. Other non-financials of note such as Pepsico, Johnson & Johnson, Intuitive Surgical and Taiwan Semi (TSM) reported too. Each beat street estimates and raised guidance. TSM’s guide to 30%, up from 20%, growth put to rest that chip demand was softening causing the entire semiconductor space to rise into weeks end. In the coming weeks, further reports will validate (or not) that earnings are supportive of current valuations and with it the continued market broadening beyond just a few select names.

Despite a relatively slow week of data there were some announcements worth mentioning. The back-up in the 10-year treasury above 4% post the September rate decision had a negative effect on mortgage, purchase and refi applications; all declining 17%,7% and 26% respectively. This makes sense as the 30-year fixed rate mortgage rose to 6.5% in the past week but is down from 7.6% a year ago. Nonetheless buyers and sellers remain rate sensitive, postponing any housing recovery. On Friday, housing starts came in line with expectations at 1.354 million and building permits a bit light at 1.43 million. Interestingly, single family rose as multi-family declined. Initial jobless claims came in at 241,000 vs. 260,000 with continuing claims of 9000 to 1.87mil. Retail sales rose 0.4% vs 0.3 % estimate with ex auto increasing 0.5% vs 0.1% confirming, what BofA is seeing, that the consumer is spending despite the debt overhang. Some of this could be explained by untapped wealth in investments and home equity. Industrial Production declined 0.3% in September after a 0.3% rise in August. The month over month change can be attributed to the Boeing strike and Hurricane Helene. October may show further weakness with the devastation of Hurricane Milton. Capacity Utilization was 77.5% or 2.2% below the long-term average.

The week ahead will be full of earnings and economic releases. We will get September Existing & New Home Sales, October Purchasing Managers Manufacturing and Services Indices, September Durable Goods, and October Michigan Sentiment.

On the earnings front names of note are 3M, GM, Norfolk Southern, Verizon, Nextera, Tesla, Coke, Honeywell, Union Pacific and Valero to mention a few. Clearly, the reports and guidance will be paramount to support the notion that the economic backdrop is positively impacting a broad group of companies and sectors rather than a few.

Market Scorecard:	10/18/2024	YTD Price Change
Dow Jones Industrial Average	43,275.91	14.82%
S&P 500 Index	5,864.67	22.95%
NASDAQ Composite	18,489.55	23.17%
Russell 1000 Growth Index	3,827.71	26.34%
Russell 1000 Value Index	1,884.82	16.96%
Russell 2000 Small Cap Index	2,276.09	12.98%
MSCI EAFE Index	2,409.36	7.76%
US 10 Year Treasury Yield	4.077%	23 basis points
WTI Crude Oil	$69.30	-2.54%
Gold $/Oz.	$2,712.50	30.87%

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