

## Beacon Weekly Investment Insights

Last week brought significant volatility to markets, with the trading week kicking off with a spike in volatility that saw the VIX index (a well-known gauge of volatility in the stock market) increase almost three-fold having reached a high of 65 intraday on Monday, after opening at 23. U.S. equity markets opened on Monday to a steep sell-off, with the S&P 500 down as much as -4.2% intraday, the Dow Jones down as much as -3.1%, and the Nasdaq down as much as -6.3%, before rebounding somewhat to close the day down -3.0%, -2.6%, and -3.4%, respectively. Equities in Japan suffered the second largest one day drop in history, with the Nikkei stock index down 12% on the day before recovering by more than 10% the following day. The 10-year treasury yield also continued its move down to as low as 3.66% having been as high as 4.29% a week earlier. One of the main culprits for the equity sell-off and precipitous drop in yields was continued concern that the U.S. economy may be slowing down more quickly than anticipated and potentially headed for recession, after a weaker than expected U.S. jobs report and ISM Manufacturing data in the prior week. Ultimately, our thought process continues to revolve around an economy that is seeing moderating growth, vs. the expectation that we are headed into a recession.

Volatility was exacerbated by the surprise announcement of a rate hike by the central bank of Japan and significant unwinding of global carry trades (borrowing the yen at a low cost to invest in other currencies and assets offering higher yields) amid significant appreciation in the yen, causing meaningful selling pressure on stocks as leveraged investors losing money on the yen carry trade were forced to sell other assets to de-leverage. Volatility continued as the day and week progressed, however equity markets recovered meaningfully, particularly on Thursday which saw the S&P 500 up 2.3% (best day since 2022) after better than expected jobless claims data helped to ease some of the concerns over slower growth. The VIX index ultimately came down to 20.3 to close the week lower than where it started before the volatility spike occurred. Likewise, for all the volatility, the S&P 500 closed the week essentially where it started, down just -0.04% for the week, with the Dow Jones down -0.60% and the Nasdaq down just -0.18% for the week.

Considering the magnitude of the moves experienced throughout the week in equity markets to essentially end up where we started, provides an excellent example of why we do not react to volatility in the short-term, but rather continue to maintain a long-term focus rooted in a disciplined process in terms of the selection and on-going management of a diversified portfolio of investments, alongside maintaining sufficient liquidity in client portfolios on an on-going basis. We also continue to focus on where we believe the best opportunities are over the long-term and on the strong underlying fundamentals of the companies that we invest in, which have been on display throughout earnings season. With 91% of companies in the S&P 500 having reported earnings for the 2<sup>nd</sup> quarter, a larger than average 78% of companies have exceeded earnings expectations. Aggregate earnings growth for the S&P 500 currently stands at 10.8% for the quarter, relative to expectations for 8.9% growth. Earnings growth estimates also look robust as we look ahead to the 2<sup>nd</sup> half of the year and into next year.

There are several important economic data points scheduled to be released this week. On the inflation front, PPI (producer price index) and CPI (consumer price index) data are due out on Tuesday and Wednesday, respectively. With the consumer also a key focus of late, investors will be paying close attention to the U.S. retail sales report due out on Thursday.

Market Scorecard:	8/9/2024	YTD Price Change
Dow Jones Industrial Average	39,497.54	4.80%
S&P 500 Index	5,344.16	12.04%
NASDAQ Composite	16,745.30	11.55%
Russell 1000 Growth Index	3,477.67	13.96%
Russell 1000 Value Index	1,748.72	7.32%
Russell 2000 Small Cap Index	2,080.92	2.66%
MSCI EAFE Index	2,283.63	2.12%
US 10 Year Treasury Yield	3.95%	7 basis points
WTI Crude Oil	\$76.84	7.24%
Gold \$/Oz.	\$2,473.40	19.38%



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

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