

Beacon Weekly Investment Insights

Stocks edged down modestly for the week, as some investors sought to reduce risk with the U.S. elections less than two weeks away. Specifically, the S&P 500 dropped nearly 1% last week, while the older and perhaps better-known Dow Jones Industrial Index fell a more substantial 2.7%. Large technology firms continued to lead the way up despite the market dip. NVIDIA is running neck-and-neck with Apple for the title of the world's most valuable firm with a market capitalization of nearly \$3.5 trillion. The star of the artificial intelligence (AI) age rose another 2.7% last week, but was bested for the week by electric vehicle pioneer, Tesla. The Elon Musk led firm rose an impressive 22% after reporting earnings, the stock's biggest one-day gain since 2013. The firm not only reported better than expected earnings, but also provided an optimistic outlook for 2025.

Long-term interest rates continued to increase, as exemplified by the benchmark 10-Year U.S. Treasury Note rising 3.9% in yield last week and ended the week at a yield of 4.2%. Although this yield is not high in the context of long-term history, it was 3.6% about one month ago. The rise in long-term yields ripple through the mortgage and corporate borrowing markets. Gold continues to experience a bull market. The shiny metal hit an all-time high and ended last week at \$2,760.80 per ounce. Political uncertainty, inflationary fears, and central bank purchases are among the reasons for the rally. Even Costco is getting into the gold rush act, enabling its retail customers to buy small gold bars. The retail giant is reportedly selling \$100 million to \$200 million in one-ounce gold bars each month.

The Conference Board's forward-looking Leading Economic Index (LEI) report was released last week. It continued to edge downward, pointing to sluggish future growth. As we have written in the past, LEI is perhaps overweighted to the manufacturing side of the economy and may not have fully taken into account the massive stimulus that was injected into the U.S. economy after the COVID-19 pandemic arrived in full force. The stimulus was not all spent at once, but rather over several years, and the substantial rise in stock and real estate prices has provided a boost to the affluent U.S. consumer. Hence, LEI's somewhat bearish posture for the past two years has largely been inoculated.

The economic calendar is fairly busy this week as we turn the page from October to November. Let's start with the earnings calendar. Tech titans, Alphabet (Google), Amazon, Apple, Microsoft, and Meta (Facebook) will all be reporting this week. The S&P Case-Shiller Home Price Index will be released on Tuesday. The report will be scrutinized by analysts to see if the recent uptick in long-term interest rates has slowed down home price appreciation. The Consumer Confidence Report will also be released on Tuesday. Inflation has sapped consumer confidence in recent months, so it will be worth seeing if confidence has improved since the consumer accounts for roughly 70% of U.S. GDP. Speaking of GDP, the official Q3 GDP report will be released on Wednesday. GDP growth estimates for Q3 are tracking in the neighborhood of a respectable 2.5%.

The back half of the week has arguably the two most important economic reports, the Personal Consumption Expenditures (PCE) Index and the Unemployment Report. The PCE report will be released on Thursday and is reportedly the Federal Reserve's preferred inflation gauge. A higher than expected reading may slow the Fed's anticipated rate cut cycle for the remainder of the year and into 2025. The Unemployment Report is correlated to the second part of the Fed's dual mandate, namely its full employment goal. Last month's report showed a decline in the unemployment rate from 4.2% to 4.1%. As with the PCE report, a stronger than expected employment showing on Friday may slow the Fed's pace of future rate cuts.

Lastly, the forward-looking Institute for Supply Chain Management (ISM) Manufacturing Report will also be released on Friday. The ISM Manufacturing Report has shown modest weakness for roughly the past 2 years. A turnaround in this index would be somewhat unexpected but nonetheless welcome with respect to getting the economy to click on all cylinders.

Market Scorecard:	10/25/2024	YTD Price Change
Dow Jones Industrial Average	42,114.40	11.74%
S&P 500 Index	5,808.12	21.77%
NASDAQ Composite	18,518.61	23.36%
Russell 1000 Growth Index	3,856.27	26.37%
Russell 1000 Value Index	1,862.92	14.33%
Russell 2000 Small Cap Index	2,207.99	8.93%
MSCI EAFE Index	2,361.47	5.60%
US 10 Year Treasury Yield	4.232%	37 basis points
WTI Crude Oil	\$71.69	0.50%
Gold \$/Oz.	\$2,760.80	33.26%



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