

## Beacon Weekly Investment Insights

U.S. stocks ended higher on Friday, extending their biggest weekly percentage gains of the year as worries of an economic downturn eased and investors focused on the Jackson Hole Economic Symposium next week.

The S&P 500 and the Nasdaq notched their seventh straight session of gains, as stocks recouped losses from a tailspin two weeks ago. The sell-off, sparked by weak economic data, the Yen carry trade and heightened recession fears, confirmed the Nasdaq had entered correction territory. Recent 13F filings, by some of the largest and influential Hedge Funds, confirmed our long-anticipated market broadening as many reduced exposures to the MAG 7 which dominated the market return in the first half of the year. This repositioning centers around concerns that the AI return on investment may take longer than thought. The Invesco S&P 500 equal weight ETF rose 2.5% in the week and 4.9% since 8/5 further acknowledging that investors are seeking opportunities beyond tech and comm services.

All three indices recorded their biggest weekly percentage gains since late October, with the S&P 500 and the Nasdaq posting their first weekly gain in five. The positive economic data appears to be fueling this rally, giving greater confidence to investors that a recession is likely to be avoided, and that the Fed will begin cutting rates in September.

A cascade of high-profile economic data, including the Labor Department's consumer price index and retail sales report from the Commerce Department, provided assurances that inflation continues meandering down toward the Federal Reserve's 2% target, and that consumer spending is healthy.

U.S. single-family housing starts dropped to a near 1-1/2-year low in July, while the University of Michigan's preliminary take on August consumer sentiment showed stronger-than-expected improvement.

Global central bank officials will speak at the symposium in Jackson Hole, Wyoming with Fed Chair Jerome Powell's keynote speech on Friday potentially setting expectations for a U.S. rate cut trajectory, commencing in September. Throughout the year market activity has consistently been reactive to the likelihood and extent of Fed rate cuts. Chicago Fed chief Austan Goolsbee said in an interview with National Public Radio that central bank officials should be wary of maintaining restrictive policy longer than necessary.

Financial markets are betting on a 74.5% likelihood that the Fed will cut its key policy rate by 25 basis points as it ends its September policy meeting, with a diminishing 25.5% chance of a larger 50-basis-point cut.

The Dow Jones Industrial Average rose 2.94% to 40,659.76. The S&P 500 gained 3.93% at 5,554.25 and the Nasdaq Composite added 5.29% at 17,631.72. The US 10-year Treasury ended the week at 3.89%.

Among the 11 major sectors of the S&P 500, financials enjoyed the biggest percentage gain, while industrials suffered the largest drop.

Though the corporate earnings season is largely over there will be few remaining retail announcements (Lowe's, TJX, Target, Dollar Tree and Ross Stores). These will give further insight into, not only the strength of the consumer but the bifurcation between the low- and high-end buyer. Walmart's strong earnings and news that retail sales surged accompanied by falling jobless claims confirm the consumer, buoyed by a decent labor market, are spending. The concern is how much is on extending credit and BNPL that will show up in credit defaults later this year.

The earnings scorecard shows the percentage of stocks beating is 78% (long term average is 75%), 5.6% in-line and 16.1% missed. The expectation is for 10% earnings growth in 2024 followed by another 15% in 2025.

<b>Market Scorecard:</b>	<b>8/16/2024</b>	<b>YTD Price Change</b>
Dow Jones Industrial Average	40,659.76	7.88%
S&P 500 Index	5,554.25	16.45%
NASDAQ Composite	17,631.72	17.46%
Russell 1000 Growth Index	3,659.21	19.91%
Russell 1000 Value Index	1,791.25	9.93%
Russell 2000 Small Cap Index	2,141.92	5.67%
MSCI EAFE Index	2,374.84	6.19%
US 10 Year Treasury Yield	3.89%	7 basis points
WTI Crude Oil	\$76.37	7.21%
Gold \$/Oz.	\$2,473.40	19.38%



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