

Beacon Weekly Investment Insights

Earnings season kicked off on a positive note, with the S&P 500 rising 1.8% last week. Banks led the charge, with strong earnings from JP Morgan, Morgan Stanley, and Goldman Sachs. Not to be outdone, Alcoa, one of the largest aluminum producers in the U.S., surged 15% on Friday after reporting stellar earnings. If only the rest of the earnings season would proceed as effortlessly. It's worth noting that the aforementioned financial firms and Alcoa haven't been materially impacted by the computer chip shortage and other supply chain issues. Companies dependent upon world trade for imports or exports may not have as smooth sailing.

The U.S. consumer still seems to be spending, despite concerns about the continued spread of the COVID-19 delta variant. Retail sales increased 14.3% over the prior year, although the rise is down a bit from last month's reading of +15.4%. Going back to COVID, the Food and Drug Administration (FDA) approved booster shots for Moderna and Johnson & Johnson's (J&J) vaccines. This development, of course, follows the FDA's recent approval of a booster shot for Pfizer's vaccine. Continued excitement over Merck's COVID-19 pill rounds out the enthusiasm for the ongoing war on the pandemic and may be another reason for the stock market's mini rally last week.

As U.S. stock indexes remained within striking distance of their all-time highs, long-term bond yields treaded water, with the benchmark 10-Year U.S. Treasury Note ending the week at a shade below 1.6%. All eyes were on the September Consumer Price Index (CPI) report released last week, which showed a 5.4% increase. With readings of this magnitude now a regular occurrence, the Federal Reserve has started to backtrack from its comments that inflation is "transitory." The high levels of the CPI have offered a ray of hope for some seniors. The cost-of-living adjustment (COLA) for those receiving Social Security payments will increase a stout 5.9% in January, representing the largest increase since 1982. The Producer Price Index (PPI), a measure of wholesale inflation, increased 8.6% last month, its largest year over year increase since 2010. The net result of the various inflation readings is that price and wage inflation is not likely to end anytime soon. Currently the financial markets have been taking these elevated inflation readings in stride, but we would be surprised if the tranquility continues with similar future readings.

Bitcoin is back in the news, with the Securities and Exchange Commission (SEC) likely to approve the first exchange traded fund (ETF) based on bitcoin futures contracts this week. The lucky firm, likely to benefit from investor interest, is the fund company, ProShares, a firm primarily known for its leveraged ETFs. The benefit of the ETF structure is that it usually trades very close to its market or net asset value and avoids the hassle of having a separate bitcoin wallet operated by a firm, such as Coinbase. ETFs are eligible for purchase in virtually all traditional brokerage accounts, now making it as easy to trade bitcoin as buying 100 shares of IBM. Bitcoin surged on anticipation of the SEC's approval, starting the week at roughly \$60,000 per coin, not too far from its April 14th all-time high of \$64,863.

The earnings calendar will probably occupy greater investor attention this week than the economic calendar, with Tesla, Netflix, and Chipotle set to report. Moving back to the economic calendar, the Industrial Production (IP) report will be released on Monday. The IP report will give its followers a beat on the manufacturing economy, which may be more impacted by supply chain problems that have affected companies ranging from Nike to General Motors to Apple. The Leading Economic Index (LEI), produced by the Conference Board, will be released on Thursday. LEI is a forward-looking index, as are the purchasing manager indexes (PMI), so we pay extra close attention to them. Speaking of PMI, Markit will release both their manufacturing and services indexes on Friday. Each of these indicators are expected to show continued growth in the economy. However, it is always the readings that differ from consensus expectations that move markets, a far more difficult task to predict.

Market Scorecard:	10/15/2021	YTD Price Change
Dow Jones Industrial Average	35,294.76	15.32%
S&P 500 Index	4,471.37	19.04%
NASDAQ Composite	14,897.34	15.59%
Russell 1000 Growth Index	2,869.72	18.20%
Russell 1000 Value Index	1,603.17	18.79%
Russell 2000 Small Cap Index	2,265.65	14.73%
MSCI EAFE Index	2,324.50	8.24%
US 10 Year Treasury Yield	1.576%	66 basis points
WTI Crude Oil	\$82.66	70.71%
Gold \$/Oz.	\$1,768.10	(7.02%)

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

Important Information: Beacon Investment Advisory Services, Inc. ("BIAS") is an SEC registered investment adviser, under the name Beacon Trust, and is wholly owned by Beacon Trust Company ("BTC"), which is a subsidiary of Provident Bank. Provident Bank is a subsidiary of Provident Financial Services, Inc., a holding company whose common stock is traded on the New York Stock Exchange. Beacon Trust may only transact business in those states where they are notice filed or qualify for a corresponding exemption from notice filing requirements. Additional information is contained in the respective Form ADV disclosure documents, the most recent versions of which are available on the SEC's Investment Adviser Public Disclosure website at <http://www.adviserinfo.sec.gov>.

SECURITIES AND INVESTMENT PRODUCTS: Not FDIC Insured | May Lose Value | No Bank Guarantee

This publication is limited to the dissemination of general information pertaining to the wealth management products and services offered by Beacon to U.S. residents of those states where not prohibited by applicable law. No portion is to be construed as a solicitation to effect transactions in securities or the provision of personalized investment, tax, or legal advice. Investing involves risks which may lead to losses, including loss of principal. Different types of investments involve varying degrees of risk and there can be no assurance that any specific investment will be profitable. Any reference to a market index is included for illustrative purposes only, as it is not possible to directly invest in an index. Indices are unmanaged vehicles that serve as market indicators and do not account for the deduction of management fees or transaction costs generally associated with investable products, which otherwise have the effect of reducing the performance of an actual investment portfolio. Calculation methodologies are available from BIAS upon request.

Past performance is not a predictor of future results. It should not be assumed that any information discussed herein will prove to be profitable or that decisions in the future will be profitable or provide specific performance results. Any discussion of tax matters contained within this communication should not be used for the purpose of avoiding U.S. tax related penalties or promoting, marketing, or recommending to another party any transaction or matter addressed herein. Beacon Trust does not provide legal advice. 00156162