Beacon Trust
INNOVATING WEALTH STRATEGY

November 28, 2022

Beacon Weekly Investment Insights

The Thanksgiving holiday shortened market week saw a continuation of the recent trend of equity markets grinding higher and yields on the benchmark 10-Year Treasury Note lower. For the week, the Dow Jones Industrials gained 1.8%, the S&P 500 Index gained 1.5%, and the Nasdaq Composite gained 0.7%. The current yield on the 10-Year Treasury fell 12 basis points to 3.68%.

Persistent in the fixed income markets is the concept of "yield curve inversion" which means yields on shorter dated securities carry a higher yield than longer dated securities. Case in point, the yield on the current 2- Year US Treasury closed the week at 4.46% versus the 10-Year at 3.68%, a 78 basis point inversion. The short end of curve is reflective of the Federal Reserve's current policy stance of raising short term interest rates to cool the economy in an effort to dampen inflationary pressure, while the longer end is more focused on the perceived economic weakness in 2023. This inversion is a usual precursor to a recession.

In what was considered a quiet week of economic data releases, financial markets moved more specifically on individual company news. On Monday, shares of Disney jumped 6% on the news that former chairman/CEO Robert Iger would once again lead the company as current CEO Bob Chapek was removed. Disney is a Dow Jones Industrial Index component. Late reporting retailers such as Best Buy, Dollar Tree and Abercrombie and Fitch each had positive earnings releases and gave a glimmer of hope for strength heading into the holiday season.

Wednesday saw the release of the Fed minutes from the Open Market Committee meeting held on November 2nd. These came with another glimmer of hope that the interest rate rising cycle could begin to moderate as early as December. Recent Fed Governor speeches have also indicated the likely hike at the December meeting will be 50 basis points, breaking the streak of four consecutive 75 basis point rises.

Third quarter corporate earnings season is also coming to a close. As of last week, 97% of the S&P 500 companies have reported and results have been slightly better than expected. Overall about 70% of companies have bested their consensus forecast. The sectors leading the way have been energy, consumer discretionary, and real estate, while the laggards have been communication services and technology.

China's Covid-19 virus zero tolerance policy has come back to the forefront of headlines as workers at some major industrial companies have been seen protesting for a loosening of restrictions. Thus far there has been no change in the government stance which could lead to more supply chain disruptions, inflationary pressure, and contribute further to a global economic slowdown. We would hope for a more peaceful resolution to this along with the continued conflict between Russia and Ukraine.

For this coming week, plenty of data points to watch. Tuesday, the Conference Board releases the latest consumer confidence index for November along with S&P CoreLogic's September Case Shiller National Home Price Index. On Wednesday, the Labor Department releases the October report on job opening's which were at 10.7 million openings in September. Fed Chairman Jay Powell is also scheduled to speak on the US Economy and Labor Market. Consumer spending for October is released by the Commerce Department on Thursday along with the ISM Manufacturing survey. Friday, importantly will be the Labor Department's November employment report.

Market Scorecard:	11/25/2022	YTD Price Change
Dow Jones Industrial Average	34,347.03	(5.48)%
S&P 500 Index	4,026.12	(15.53)%
NASDAQ Composite	11,226.36	(28.24)%
Russell 1000 Growth Index	2,296.27	(25.32)%
Russell 1000 Value Index	1,549.75	(6.40)%
Russell 2000 Small Cap Index	1,869.19	(16.75)%
MSCI EAFE Index	1,962.94	(15.97)%
US 10 Year Treasury Yield	3.68%	217 basis points
WTI Crude Oil	$76.28	1.42%
Gold $/Oz.	$1,754.93	(4.03)%

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