Beacon Trust
INNOVATING WEALTH STRATEGY

July 19, 2021

Beacon Weekly Investment Insights

Earnings season kicked off in earnest last week and, as expected, the results were quite strong. For example, JPMorgan Chase, Goldman Sachs, and Morgan Stanley beat earnings expectations by 45%, 89%, and 29%, respectively. However, the S&P 500 edged down 1% for the week as much of the good news on earnings has already been priced in, especially with respect to the "easy" comps from the pandemic lows of 2020. Both Growth and Value stocks fell similarly to the S&P 500, but Small Cap Stocks took it on the chin, falling more than 5% last week. Apple bucked the downward stock trend, rising to an all-time high in its split-adjusted stock price and market cap, an impressive $2.44 trillion. To put this awesome number in perspective, it is bigger than the GDP of all but 7 *countries.*

The space tourism industry continues this week with Jeff Bezos's Blue Origin spacecraft scheduled for flight on Tuesday, the anniversary date of Neil Armstrong's landing on the moon. The Blue Origin flight comes on the heels of Richard Branson's successful Virgin Galactic flight, a little more than a week ago. Among the passengers on the Blue Origin flight joining Jeff Bezos and his brother, Mark, include 82-year-old Mary Wallace "Wally" Funk and 18-year-old Oliver Daemen. Ms. Funk impressively trained to be an astronaut during the Mercury missions but was never given the privilege of traveling to space. Mr. Daemen, the son of a private equity executive, is slated to be the youngest person ever to be in space. He replaces an anonymous person who bid $28 million for the ticket, but mysteriously claimed a scheduling conflict. Also, of note with the Blue Origin flight – it is run completely without an onboard pilot.

The Federal Reserve's actions are always of great concern to market participants and Fed Chair Jay Powell's comments were closely monitored last week. Mr. Powell reiterated strong support for the economy and suggested the Fed was a while away from tapering its massive bond buying program. As we have communicated in our prior writings, it is highly unlikely that the Fed will raise interest rates *before* they have begun to taper. Bond markets got the signal and the benchmark 10-Year U.S. Treasury Note continued to languish, ending the week at a tepid 1.3%. We expect the 10-Year to be range bound for the bulk of the year, but believe it is more likely to edge up over time. To wit, the Producer Price Index (PPI), a measure of wholesale inflation, notched its biggest gain in more than 10 ½ years, up 7.3%.

News continues to be mixed on the healthcare front. Some major hospital chains, including Mount Sani and the Cleveland Clinic, have balked at administering to their patients Biogen's recently approved Alzheimer's Drug, Aduhelm, citing mixed results on the efficacy of the pricey drug. COVID-19 cases, especially with the highly contagious "Delta" variant, continue to stubbornly persist and increase in some regions. For example, Los Angeles County California recently issued an order requiring citizens to wear masks indoors. Vaccinations remain plentiful in most regions of the U.S., but many remain hesitant to obtaining them, representing challenges to reaching herd immunity.

Speaking of COVID-19, China was the first country to be greatly affected by the virus and its economy was among the first to recover. Their second quarter GDP growth rate clocked in at 7.9%. That number may sound stellar, but it comes on the heels of a record 18.3% GDP growth rate in Q1. Hence, some market participants are concerned that the global GDP surge will prove to be transitory, thereby being one of the main reasons why long-term sovereign debt yields around the world remain subdued.

Looking ahead to this week's earnings calendar for some notable companies, it will be quite busy. Among the headliners include IBM on Monday, Netflix and United Airlines on Tuesday, Johnson & Johnson, Verizon, and Coca Cola on Wednesday, AT&T, Intel, and Twitter on Thursday, and American Express, Honeywell, and Schlumberger on Friday. Of course, these are just a small cross-section of the hundreds of companies reporting earnings this week. However, in aggregate, their results may give us a peek at the sustainability of the recovery and the "legs" of recent themes, such as "stay at home" and the "reopening trade."

The economic calendar tends to be a bit lighter in the back half of the month, but there are a few items we will be keeping a close eye upon. The Housing Starts number will be released on Tuesday, providing a glimpse if the housing shortage may be abating. Speaking of housing, the Existing Home Sales report will be released on Thursday, proving some feedback if the red-hot housing market has continued its torrent base. Also on Thursday, the Conference Boards will release its Leading Economic Index (LEI) report. LEI is a *leading* economic indicator as well as the Purchasing Managers Indexes (PMI); Markit's PMI for both the manufacturing and service sectors will be released on Friday.

Market Scorecard:	**7/16/2021**	**YTD Price Change**
Dow Jones Industrial Average	34,687.85	13.33%
S&P 500 Index	4,327.16	15.20%
NASDAQ Composite	14,427.16	11.94%
Russell 1000 Growth Index	2,766.39	13.95%
Russell 1000 Value Index	1,550.59	14.89%
Russell 2000 Small Cap Index	2,163.24	9.54%
MSCI EAFE Index	2,302.81	7.23%
US 10 Year Treasury Yield	1.300%	+38 basis points
WTI Crude Oil	$71.45	47.56%
Gold $/Oz.	$1,812.50	(4.69%)

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