Beacon Trust
INNOVATING WEALTH STRATEGY

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Beacon Weekly Investment Insights

Uncertainty continued to loom large last week as a result of a port strike projected to cost the economy billions per day, fallout from the human toll and economic impact of Hurricane Helene, rising geopolitical tensions, an upcoming election, and the release of several important economic data reports, all of which contributed to volatility throughout the week. Beginning on Tuesday of last week, roughly 45,000 dockworkers on the U.S. East and Gulf coasts represented by the International Longshoremen's Association (ILA) union began a strike that was the largest of its kind in nearly 50 years. The strike halted the flow of about half the country's ocean shipping, blocking everything from food to automobile shipments, with the estimated impact as high as $5 billion per day. The potential for a prolonged strike of this magnitude raised concerns over the potential for it to cause a significant slowing in the economy, cause supply shortages across a variety of products, and reaccelerate inflation. After a three day strike, news broke last Thursday that the ILA union had reached a partial agreement with the U.S. Maritime Alliance ultimately amounting to a pay hike of 62% over six years for dockworkers, sending them back to work. The agreement extends their contract until January 15th, 2025, as negotiations continue, particularly surrounding worker's concerns around automation at U.S. ports.

The positive news about the port strike ending was augmented by what was a substantially better than expected U.S. jobs report on Friday. The U.S. nonfarm payrolls report showed that the economy added 254,000 jobs in September, well above expectations for 150,000 jobs to be added, with the leisure and healthcare industries leading gains. In addition, the jobs numbers for both July and August were revised upward. The unemployment rate ticked down from 4.2% to 4.1%, with average hourly earnings up 0.4% for the month, outpacing estimates for a 0.3% increase. The ADP report that was released earlier in the week also yielded an upside surprise, with 143,000 jobs added relative to expectations for 128,000 and the prior figure of 103,000. In addition, both the ISM Manufacturing and Services index reports were released last week. In line with the five prior months, the ISM Manufacturing index was in contractionary territory with a reading of 47.2% relative to expectations for 47.5%. However, the ISM services index came in well above expectations with a reading of 54.9%, relative to expectations for a reading of 51.8% and the prior figure of 51.5%.

Equity markets ultimately ended the week slightly positive, with treasury yields moving up substantially. In addition, a 50 bps rate cut in November was essentially priced out. After the release of the jobs report on Friday and as of the time of this writing, the CME FedWatch tool showed an 85% probability of a 25 bps cut for the Fed's November meeting, with a 15% probability that the Fed will remain on hold being added to the table. The S&P 500 closed the week up 0.22%, while the tech heavy Nasdaq was up +0.10%, and the Dow Jones was up +0.09%. In response to the substantially better than expected economic data and less in the way of rate cuts being priced in, the 10-yr treasury yield moved up meaningfully from 3.74% at the beginning of the week, to close the week at 3.96%. Oil prices continued their ascent off the back of escalating geopolitical tensions in the Middle East, finishing the week up 9.5% at $74.38/barrel.

Markets will turn their focus to inflation data set to be released this week, alongside a variety of Fedspeak and the release of the FOMC minutes from the last meeting. Both CPI (consumer price index) and PPI (producer price index) data are set to be released on Thursday and Friday, respectively. In addition, the 3rd quarter earnings season is set to kick off in earnest on Friday, when large money center banks including the likes of J.P. Morgan begin to report. Estimates are for S&P 500 aggregate earnings growth to decelerate to roughly 4%-5% in the 3rd quarter, relative to the low double-digit growth in the 2nd quarter. However, earnings growth is expected to reaccelerate in the 4th quarter and next year, with growth estimates for both at 15%. We will provide updates as far as results and expectations as earnings season unfolds.

Market Scorecard:	10/4/2024	YTD Price Change
Dow Jones Industrial Average	42,352.75	12.34%
S&P 500 Index	5,751.07	20.57%
NASDAQ Composite	18,137.85	20.83%
Russell 1000 Growth Index	3,774.54	23.69%
Russell 1000 Value Index	1,868.16	14.65%
Russell 2000 Small Cap Index	2,212.80	9.16%
MSCI EAFE Index	2,413.03	7.91%
US 10 Year Treasury Yield	3.96%	8 basis points
WTI Crude Oil	$74.38	3.81%
Gold $/Oz.	$2,667.80	28.77%

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