

Beacon Weekly Investment Insights

Last week saw a reversal in the negative market sentiment experienced during the first week of September. Economic data, which we will discuss later, coupled with a renewed focus on the Federal Reserve's interest rate cutting cycle, shifted sentiment. Over the past few weeks, we have had Chairman Powell's comments at the Jackson Hole summit calling for an easing of policy, an unemployment report that showed less job creation in August, but a GDP report for Q2 that was revised higher. Truly, crosscurrents are driving volatility higher in the short run. For the week, the NASDAQ Composite led the charge adding 5.95%, the S&P 500 gained 4.02%, and the Dow Industrials added 2.60%. Moving down the cap scale, the Russell 2000 small cap index added 4.4%.

Interest rates also moved down for the week in almost parallel fashion as the 2-Year US Treasury Note and 10-Year US Treasury Note each declined by 6 basis points to yield 3.65% and 3.71% respectively. Please note, the yield differential between the 2- and 10-year maturities remains positively sloped meaning the longer maturity carries a higher yield. The decline in yields continues to reflect the markets anticipation for rate cuts, the magnitude of which has been highly debated for this week's upcoming meeting. Articles in last week's press began to suggest a 50-basis point cut in Fed Funds at the conclusion of the Open Market Committee meeting on Wednesday, whereas consensus had been for a 25-basis point reduction.

Understandably, the financial markets are focused on the magnitude of the rate cutting cycle, but the commentary surrounding the cut will also be in focus. After the meeting, as with each quarterly meeting, the Fed will disclose their summary of economic projections. This summary most likely will differ from June's report in that labor market conditions have quickly changed. Back in June, the Fed's median prediction for unemployment rate at the end of 2024 would be 4.0%. We have since seen July's reading of 4.3% unemployment and August's of 4.2%.

Inflation data last week continued to reinforce the moderation of inflation. The August CPI (consumer price index) rose 0.2% month over month basis. The year over year increase fell to 2.5% versus 2.9% in July. The core reading, which excludes volatile food and energy prices increased 0.1% to 0.3% month over month basis primarily due to the housing price calculations. The sticky owners equivalent rent component continues to influence the readings on the upside. On the wholesale pricing side, the August Producer Price index rose 0.2% in August, in line with expectations.

Of interest from a company standpoint last week, Apple unveiled their new I-phone16, with AI initiatives. Pre-orders are so far tracking slightly less than expected, but it is early. Additionally, the S&P will be making some index changes as of September 23rd. Joining will be Palantir Technologies, Dell Technologies, and Erie Indemnity. Current constituents leaving the index will be American Airlines, Etsy, and Bio-Rad Laboratories.

This week, the obvious focus is on the Federal Reserve and Chairman Powell's press conference on Wednesday. Economic data will most likely be overshadowed in the press, but nevertheless, not insignificant. Tuesday's retail sales release will give us additional information on consumer health, while the Industrial production/capacity utilization is a gauge of manufacturing activity. Housing will also be a highlight with mortgage application data and housing starts/building permits released on Wednesday and the existing home sales data on Thursday.

Market Scorecard:	9/13/2024	YTD Price Change
Dow Jones Industrial Average	41,393.78	9.83%
S&P 500 Index	5,626.02	17.95%
NASDAQ Composite	17,683.98	17.80%
Russell 1000 Growth Index	3,689.65	20.91%
Russell 1000 Value Index	1,825.16	12.01%
Russell 2000 Small Cap Index	2,182.49	7.67%
MSCI EAFE Index	2,410.81	7.81%
US 10 Year Treasury Yield	3.65%	-23 basis points
WTI Crude Oil	\$68.65	-4.19%
Gold \$/Oz.	\$2,577.70	24.95%



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