Beacon Trust
INNOVATING WEALTH STRATEGY

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Beacon Weekly Investment Insights

Equity markets finished last week in negative territory as the market digested a slew of economic data, high-profile earnings reports, and looked towards the upcoming election. The S&P 500 closed the week down -1.37%, with the Nasdaq down -1.5% and the Dow Jones Industrial Average down -0.15%. As it relates to the Dow, it was recently announced that Nvidia will be replacing Intel, and Sherwin-Williams will be replacing Dow Inc. in the index. Treasury yields continued their ascent in the midst of generally stronger than expected economic data as of late as well as concerns over the U.S. fiscal backdrop, with the 10-year climbing from 4.23% to 4.36% to close the week.

With the election looming and expectations for a very tight race, markets have generally displayed remarkable strength and lower volatility heading into an election than we have seen in quite some time. The S&P 500's 20%+ return year-to-date through the end of October is the strongest performance heading into an election since 1932. If we do not have certainty as to a winner being declared on election night, an extended period of uncertainty could certainly breed volatility in markets in the short-term. With that said, it's important to note that election years by and large tend to be strong ones for the market historically regardless of who ends up in the White House, and that the strong trend for the market heading into the election typically bodes well for forward returns once the uncertainty of the election is resolved.

In addition to the election, markets will also be focused on the upcoming Fed meeting and press conference on Thursday, at which Chair Powell is widely expected to announce a 25 bps rate cut, subsequent to the 50 bps rate cut announced in September. Fed funds futures markets are currently pricing in another 25 bps cut in December, and an additional 75 bps of cuts through the year in 2025. Ultimately the expectation continues to be that the Fed is on the path of enacting meaningful easing, however generally stronger than expected economic data has contributed to markets pricing in less in the way of rate cuts than were anticipated earlier on in the year. As noted above, we have seen substantial increases in treasury yields with the 10-year treasury up roughly 75 bps since the fed cut rates in September, with the bond market reacting to generally stronger than expected economic data, concerns over expanding federal deficits, and the potential for a resurgence in inflation if tariffs are enacted.

The initial reading for 3rd quarter GDP was released last week, which showed the U.S. economy growing at 2.8%. Although the number was slightly below expectations, the report continues to point to solid economic growth and strong consumer spending. Consumer confidence numbers also came in well ahead of expectations last week, and both initial and continuing jobless claims came in lower than expected. In addition, the Core PCE report was released last week, with the monthly increase for September of 0.3% in line with expectations. Year-over-year, Core PCE increased by 2.7%, slightly above expectations for a 2.6% increase, and unchanged from the prior month's reading. The U.S. employment report was also released last Friday, and as expected, showed meaningful impacts from Hurricane Helene and Milton, as well as from the strike at Boeing, with the latter detracting an estimated 44,000 jobs from the transportation sector. The report showed the U.S. economy adding just 12,000 jobs relative to expectations for 110,000 jobs and the prior reading of 223,000. However, the unemployment rate remained unchanged at 4.1%, and the report continued to show solid wage gains, with hourly wages up 0.4% for the month and ahead of expectations, and up 4.0% year-over-year in line with expectations.

A significant percentage of the S&P 500 reported earnings last week, including several of the so-called Magnificent 7 companies including the likes of Microsoft, Apple, Meta, Alphabet (Google) and Amazon, with expectations high across the board. Results were mixed amongst the cohort with Alphabet a standout, as revenue growth, in particular for Google Cloud which grew at 35%, came in well ahead of expectations and pointed to benefits from spending on AI. With the election on the horizon and uncertainty from a policy standpoint, it is important to note that the broader corporate earnings picture has by and large been supportive, with aggregate S&P 500 earnings generally exceeding expectations both in the prior quarter as well as thus far for the 3rd quarter. With roughly 70% of companies in the S&P 500 having reported results so far, aggregate earnings growth currently stands at 5.1%, ahead of expectations for 4.3% growth. In addition, earnings growth rates are expected to reaccelerate in the 4th quarter, with current estimates being for 12.7% earnings growth. Full year aggregate earnings growth estimates are expected to be even stronger in 2025, at 15%. A more resilient than expected economy alongside better than expected earnings growth that is expected to reaccelerate, can continue to serve as tailwinds for stocks in the midst of uncertainty around the election and the geopolitical environment.

It is also important to remember that regardless of the outcome of the election or ongoing volatility from a geopolitical perspective, we continue to focus on a long-term disciplined strategy when investing client portfolios that is rooted in investing in high quality companies that have the ability to navigate the environment, and in an overall investment strategy that is appropriate based on our client's needs and objectives. We also continue to focus on ensuring that our client's portfolios have sufficient liquidity on hand so that volatility in the stock market in the short-term does not become a factor as far as meeting upcoming needs. In addition to the election and Fed meeting, economic data such as the ISM Services Index and consumer sentiment data are also on the docket this week, as are earnings reports for roughly 100 companies in the S&P 500.

Market Scorecard:	**11/1/2024**	**YTD Price Change**
Dow Jones Industrial Average	42,052.19	11.58%
S&P 500 Index	5,728.80	20.10%
NASDAQ Composite	18,239.92	21.51%
Russell 1000 Growth Index	3,794.58	24.34%
Russell 1000 Value Index	1,848.02	13.42%
Russell 2000 Small Cap Index	2,210.13	9.03%
MSCI EAFE Index	2,336.19	4.47%
US 10 Year Treasury Yield	4.39%	+48 basis points
WTI Crude Oil	$69.49	-3.01%
Gold $/Oz.	$2,749.20	32.70%

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