Beacon Trust
INNOVATING WEALTH STRATEGY

July 29, 2024

Beacon Weekly Investment Insights

The market seemed to take a temporary back seat to President Biden's decision to not seek re-election this November. Not since 1968, and only twice in US history, has such a decision been made by a sitting President.

For much of the week investors tried to handicap the running mate and future policies of his apparent successor, Vice President Kamala Harris, in contrast to former President Donald Trump's. Coinciding with the political events was the second week of quarterly earnings reports, important economic announcements and the upcoming July Federal Reserve meeting; all enhancing volatility. For the week, the S&P 500 declined 0.83%, the Nasdaq was down 2.03%, the Dow Jones Industrial Average rose 0.75% and 10-Year US Treasury yield declined 4 basis points to 4.20%. Despite everything our broadening thesis remains in place as companies & sectors including small caps, outside of Technology and Communication Services, seem to be attracting investor interest. Will it last; we think so.

As mentioned, the FOMC, along with the BOE and BOJ, will make rate decisions during the week. It is highly expected that our policy makers will remain on hold. Their comments, post the July meeting and annual Jackson Hole gathering in August, will be closely monitored to determine if September is still on the table. During the week, Bill Dudley, a past President of the NY Federal Reserve Bank, a former voting member of the FOMC and a longtime advocate of adhering to the 2% target goal, wrote in a WSJ Op-Ed piece setting forth his support that the Fed commence easing as early as July due to accelerating weakness in certain segments of the economy. Some interpreted Dudley's abrupt pivot as signaling a pending economic slowdown impacting the markets on the day. Though this is unlikely it does add another influential opinion to the discussion.

The week's economic data will provide the FOMC members much to consider as they navigate a path forward to lower rates. Consumers continue to show signs of caution which now include the wealthier segment. Many high end retailers like Richmont and Kering (owner of Gucci) as well as auto manufacturers such as BMW and Mercedes are noting a decline in demand for their products. New Home Sales (signed contracts) saw a 0.4% decline to 617,000, median home prices came in at $417,000 flat year over year but down 0.1% for the month and consumer spending increased 0.3%. Given low supply and not enough movement in mortgage rates neither seller nor buyers seem motivated to transact. Many believe the 30-year fixed rate needs to reach 6% or lower to end the stalemate. On Thursday, Durable Goods orders, items such as appliances, were released showing a worse than expected -6.6 % vs. 0.6% est. confirming the freeze in the housing market and, possibly, a stretched consumer choosing to postpone large purchases. Also, on Thursday Jobless Claims came in at 235,000 vs the estimate of 237,000. Continuing claims declined 9000 to 1.85mil. The first read on 2Q GDP was 2.8% hotter than the 1.9% estimate. GDP prices were 2.3% slightly less than 2.6% expected.

Friday morning's Personal Consumption Expenditure (PCE), the preferred inflation gauge for the Fed, met estimates rising 0.1% month over month and 2.5% year over year. Core PCE rose slightly higher than anticipated at 0.2% month over month and 2.6% year over year. Personal income was 0.2% vs. 0.4% expected as wages and salaries decreased month over month.

The argument can be made that the inconsistency in economic data supports both a pivot or holding firm till the 2% target is reached however, the risk to overshooting appears real and risky. The economy is growing at a reasonable rate, but below potential, arguing for no imminent cuts but the softening in the labor market, wages, job openings, and housing support easing. Here in lies the dilemma for Powell& Co. over the coming months. Fortunately, they will be privy to more data between now and September starting with non-farm payrolls, consumer confidence, job openings and factory orders next week.

The upcoming week also will be the busiest for corporate reporting as approximately one-third or 150 companies, 60% which are technology, announce 2q results. On the docket are McDonalds, Advanced Micro Devices, Merck, Microsoft, Automatic Data processing, Mastercard, Meta, Amazon, Apple, Bookings, Qualcomm and ConocoPhillips to name a few.

Market Scorecard:	**7/26/2024**	**YTD Price Change**
Dow Jones Industrial Average	40,589.34	7.69%
S&P 500 Index	5,459.10	14.45%
NASDAQ Composite	17,357.88	15.63%
Russell 1000 Growth Index	3,554.93	16.49%
Russell 1000 Value Index	1,789.97	9.85%
Russell 2000 Small Cap Index	2,260.07	11.49%
MSCI EAFE Index	2,351.52	5.38%
US 10 Year Treasury Yield	4.20%	32 basis points
WTI Crude Oil	$77.03	10.74%
Gold $/Oz.	$2,386.10	15.15%

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