

Beacon Weekly Investment Insights

The S&P 500 fell 1.4% in a holiday shortened week, snapping a 5 consecutive week winning streak. Nasdaq fell a similar amount (-1.4%), breaking an even more impressive 8-week winning streak. There was no single catalyst for the modest market drop. It could simply be a round of profit taking by short-term traders. The Conference Board's Leading Economic Index (LEI) dropped for the fourteenth consecutive month, signaling that the economy is still likely heading for a recession. U.S. housing starts surprised to the upside, jumping 21.7% to 1.63 million units, its largest amount in 11 months. Homebuilders are not only taking advantage of the housing shortage, but may also be betting that mortgage rates will be substantially lower in the roughly 6-12 months it takes to build a home and/or housing development.

Perhaps the most important event occurred over the weekend, with its impact on financial markets yet to be determined. An apparent coup on Russia led by Wagner Group, a mercenary organization led by Yevgeny Prigozhin, erupted and was quelled within the span of a few days. The terms of the agreement brokered by Belarus' President, Aleksandr Lukashenko, have Prigozhin obtaining sanctuary in Belarus while his military forces are heading back to the battlefields in Ukraine. It would be naive to believe this episode is completely over since it has important implications for Vladimir Putin's hold on power and for the ongoing war between Russia, Ukraine, and each side's respective supporters.

Oil continued its year-to-date slide, falling 1.4% last week and nearly 14% for the calendar year. Most consumers are cheering this result, although Energy stocks account for a sizeable portion of S&P 500 earnings, contributing to a potential earnings recession this year. S&P's Purchasing Manager Indexes (PMI) continued to forecast a sluggish economy. Parsing the report a bit further reveals the continuing trend of weakness in the manufacturing sector more than offset by modest strength in the services sector. The Atlanta Federal Reserve is forecasting GDP growth in Q2 of less than 2%, although the official report will not be finalized for at least another month.

The economic calendar is fairly active this week as we close out the month of June. The Case Shiller Index will be released on Tuesday, providing further information on the real estate market. The Durable Goods report will also be released on Tuesday, providing a reading on the purchase of some big-ticket items. The Consumer Confidence Report, published by the Conference Board, will be released on Tuesday as well. Since the U.S. consumer is responsible for roughly 70% of GDP, it bears watching. Readings for the past several months have been at recessionary levels.

Federal Reserve Chair, Jay Powell, will be on the speaker circuit this week, delivering speeches on Wednesday and Thursday. Analysts will carefully parse Chairman Powell's remarks for insight on the Fed's actions leading up to its July 26th Federal Reserve Open Market Committee Meeting, the group that aims to set interest rates. The Personal Consumption Expenditure (PCE) report will be released on Thursday. The PCE provides an alternative measure to inflation to the better-known Consumer Price Index (CPI). The PCE is said to be the Fed's preferred inflation gauge so it will undoubtedly have an impact on their July rate decision.

A second report on the U.S. consumer's health will also be released this week. The Consumer Sentiment Index, published by the University of Michigan, will be published on Friday. Shortly after the market closes the books on Q2 at the end of the week, a fresh round of earnings reports will be released commencing in mid-July. Earnings reports, as always, are a potential source of market volatility.

Market Scorecard:	6/23/2023	YTD Price Change
Dow Jones Industrial Average	33,727.43	1.75%
S&P 500 Index	4,348.33	13.25%
NASDAQ Composite	13,492.52	28.91%
Russell 1000 Growth Index	2,711.37	25.63%
Russell 1000 Value Index	1,512.78	1.05%
Russell 2000 Small Cap Index	1,821.95	3.43%
MSCI EAFE Index	2,138.78	9.43%
US 10 Year Treasury Yield	3.739%	-14 basis points
WTI Crude Oil	\$69.26	-13.90%
Gold \$/Oz.	\$1,930.00	5.46%



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