Beacon Trust
INNOVATING WEALTH STRATEGY

January 29, 2024

Beacon Weekly Investment Insights

Last week financial markets reacted positively to some better-than-expected economic data. On Thursday, the first estimate of fourth quarter GDP was released and showed the US Economy growing at a 3.3% annualized rate. This was well ahead of the 2% growth forecast in Bloomberg's survey of economists. Within the report, measures of personal consumption rose at a 2.8% pace. This on the heels of a stronger than expected retail sales report two weeks ago, continue to point to a resilient US consumer. Also, within the GDP release, the personal consumption deflator increased at just a 2% rate, in line with the Federal Reserve's inflation target.

On the topic of inflation, the Fed's preferred gauge, the core deflator for personal consumption expenditures, rose only 0.2%from November to December, bringing the 12 month change to 2.9%. This core measure excludes volatile food and energy prices. The headline index also rose 0.2% month over month in December for an annual increase of 2.6%. Solid economic growth along with slowly moderating inflation has changed the narrative somewhat around the Federal Reserve's interest rate policy. Recall that at year's end, markets had been forecasting an aggressive 5 or 6 rate cuts in 2024 to the Fed Funds rate beginning as early as March. Now, many forecasters are pushing out that time frame to later in the spring and have toned down the number of decreases.

Not to be overlooked, the Conference Board's Leading Economic Indicators index for December fell by 0.1%, the 22nd consecutive monthly decline. This follows November's sharper 0.5% decline. The index has 10 total data points, and in December only 4 registered declines versus 6 in November. The hope would be a continuation of this trend and a break to the indexes longest negative streak on record.

As for the US Treasury yield curve, yields remained relatively stable during the week. The benchmark 10-Year yield rose to 4.14%, while the 2-Year dropped to 4.34%. We remain in an inverted yield curve environment, where short rates continue to be higher than longer maturities, however the magnitude has lessened. The difference between the two year and 10 year is 0.2 percentage points, which is the lowest differential since late 2022. This also could be interpreted as the market readying itself for the Fed's rate cutting cycle to begin.

Corporate earnings season is also up and running with about 25% of the companies within the S&P 500 index having reported. Companies such as Tesla and Intel both had disappointing reactions to their release while others like Netflix had positive reactions. That being said, overall according to Factset data, corporate earnings for the fourth quarter of 2023 are expected to increase by a modest 1.3% on a year over year comparison. As the weeks go on, we will continue to update you on the overall results.

This week we will be concentrating on the Federal Reserve Open Market Committee meeting and press conference by Chair Powell on Wednesday. Although no interest rate movements are expected, investors will be focused on any guidance given in Powell's speech following the meeting. Key as well for the week is Friday's unemployment report for January. Consensus for non-farm job growth is 175,000 with the unemployment rate ticking up slightly to 3.8% from 3.7% in December. This week will also be one of the busiest in terms of earnings releases led by 5 large cap technology companies: Alphabet (Google) and Microsoft are set for Tuesday, followed by Amazon, Apple, and Meta (Facebook) on Thursday. In all, more than 20 % of S&P 500companies will post earnings this week.

Market Scorecard:	1/26/2023	YTD Price Change
Dow Jones Industrial Average	38,109.43	1.11%
S&P 500 Index	4,890.97	2.54%
NASDAQ Composite	15,455.36	2.96%
Russell 1000 Growth Index	3,172.06	3.94%
Russell 1000 Value Index	1,634.07	0.29%
Russell 2000 Small Cap Index	1,978.33	-2.40%
MSCI EAFE Index	2,222.74	-0.60%
US 10 Year Treasury Yield	4.14%	26 basis points
WTI Crude Oil	$78.01	8.88%
Gold $/Oz.	$2,018.52	-2.16%

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