

Beacon Weekly Investment Insights

Equity markets finished the shortened holiday week last week in negative territory as volatility returned. Negative sessions on Thursday and Friday reversed gains earlier in the week amid on-going uncertainty around tariffs and other policy considerations, geopolitical events, the trajectory for inflation, and some concerns that the economy may be slowing. The S&P 500 closed the week down -1.6%, with the Dow Jones and Nasdaq indices both down -2.5%. The 10-year treasury yield moved down modestly for the week from 4.47% to 4.42%. There were a variety of developments both on the macroeconomic data and company front that impacted markets last week.

Alongside the weaker than expected retail sales report that was recently released, Walmart reported earnings last week and issued a disappointing outlook, adding to some concerns around slower consumer spending. The Leading Economic Index report was also released last week, with the index decreasing by -0.3% in January, down from the prior month's increase of 0.1% and below expectations for a -0.2% decrease. The University of Michigan's index of consumer sentiment moved down to a reading of 64.7, well below expectations for a reading of 71.7, as sentiment took a hit with uncertainty and anticipation around potential price hikes as a result of tariffs.

Housing starts data was released for January which came in lower than expected at 1.37 million, vs. expectations for 1.4 million and the prior reading of 1.5 million. Minutes for the Fed's January FOMC meeting were also released, which essentially reiterated that the Fed is not in a rush to further cut rates and continues to contemplate policy uncertainty and closely watch the trajectory for inflation from that standpoint. The S&P Flash U.S. Services and Manufacturing PMI readings were released last Friday, and showed a mixed picture. The Services PMI reading moved down below the key reading of 50 to 49.7, down from the prior reading of 52.9 and below expectations for 52.8. However, the Manufacturing PMI came in better than expectations with an expansionary reading of 51.6 relative to expectations for 51.5. In Warren Buffett's annual letter to Berkshire shareholders, he clarified that despite the significant cash position Berkshire has built, he maintains a preference for stocks over cash and that the majority of funds are invested in equities.

Corporate earnings for the 4th quarter have come in significantly better than expectations to this point. With over 75% of companies in the S&P 500 having reported earnings, aggregate earnings for the 4th quarter have grown over 16% year-over-year, well ahead of expectations for roughly 11% growth heading into earnings season. With the recent volatility in U.S. equity markets and more in the way of broadening out continuing to occur, it's also important to note that we continue to manage risk in terms of the position sizes of individual stocks that we invest in and follow a disciplined process rooted in investing in high quality businesses with strong fundamentals and long-term growth drivers. We also continue to invest in diversified portfolios with exposure to several different asset classes that can help to dampen volatility, as well as allow for the potential of positive returns in other areas of the equities markets. For example, our more dividend-oriented exposures continue to perform well on a relative basis, and our developed international exposure is firmly outperforming so far this year as we see on-going volatility in the S&P 500. It also highlights why we continue to take a long-term approach in the management of client's portfolios, and ensure that sufficient cash is on hand to meet upcoming needs.

As we look towards the week ahead, a significant amount of economic data is set to be released. The S&P Case-Shiller Home Price Index and Consumer Confidence data are set to be released on Tuesday, with New Home sales set to be reported on Wednesday alongside a variety of FedSpeak, which will be going on throughout the week. Alongside weekly jobless claims on Thursday, the Durable-goods orders report for January will be released, as will the second reading for Q4 GDP and Pending Home Sales data. Friday will see the most consequential release for the week, with the Core PCE (the Fed's preferred measure of inflation) report set to be released.

Market Scorecard:	2/21/2025	YTD Price Change
Dow Jones Industrial Average	43,428.02	2.08%
S&P 500 Index	6,013.13	2.24%
NASDAQ Composite	19,524.01	1.10%
Russell 1000 Growth Index	4,075.26	0.82%
Russell 1000 Value Index	1,893.93	3.84%
Russell 2000 Small Cap Index	2,195.35	-1.56%
MSCI EAFE Index	2,443.30	8.02%
US 10 Year Treasury Yield	4.43%	-14 basis points
WTI Crude Oil	\$70.40	-1.84%
Gold \$/Oz.	\$2,953.20	11.82%



163 Madison Avenue, Suite 600 | Morristown, NJ 07960 | 973.377.8090 | BeaconTrust.com

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