

Beacon Weekly Investment Insights

Last week was a relatively quiet week in terms of economic data releases and financial market performance. First quarter corporate earnings season has also largely ended, with an overall outcome that was better than expected. Federal Reserve governors and members were in their “quiet period” ahead of this weeks 2-day Federal Reserve Open Market Committee (FOMC) meeting which begins on Tuesday. Futures markets and strategist consensus has settled with a pause in the Committees interest rate hiking cycle, but a statement which suggests more hikes are probable at future meetings.

The relative calm in financial markets last week resulted in the S&P 500 index rising 0.4%, the Dow Jones Industrials gaining 0.3%, and the NASDAQ Composite gaining just 0.1%. These small gains, however, did put the S&P Index more than 20% above it's October 2022 low, which meets the technical definition of a new “bull market”. Early in the week, the “fear index”, the CBOE Volatility Index (VIX) fell below 14, its lowest level since the March 2020, just prior to the COVID 19 pandemic. Bonds generally declined last week, as the benchmark 10-Year US Treasury yield rose 5 basis points to 3.74%. Remember, overnight rates as measured by Fed Funds continues with a range of 5.0%-5.25%. This inversion between short-term rates and long-term rates is the primary concern for many economists and often times indicates recession. Commodities, mainly oil prices also declined during the week, reflecting a softer global growth and industrial demand outlook.

As far as the US economy, the Institute for Supply Management surveys of manufacturing and services were both released. Consistent with the global outlook, the US Services index for May declined month over month to 50.3, just above the threshold that is indicative of expansion. All three sub-indices, prices paid, new orders and employment all declined. Recall the services industries, such as travel & leisure, eating and drinking establishments, have shown relative strong performance as a resilient US consumer continues to spend. The ISM Manufacturing Index released earlier remains in contraction territory with a May reading of 46.9 versus April's 47.1.

This week will most likely be quite active as we look forward to several economic data points for inflation and consumer resilience, along with the interest rate decision and press conference from the FOMC. Tuesday morning, just before the 2-day FOMC meeting begins, the Bureau of Labor Statistics publishes the Consumer Price Index (CPI) and Core CPI, which excludes food and energy costs. Wednesday follows with their Producer Price Index (PPI) and Core PPI in the morning and the FOMC rate decision at 2:00 pm. Thursday begins a look at the consumer with the Census Bureau's report on advance retail sales along with the weekly report of initial and continuing jobless claims. The European Central Bank (ECB) will also announce their interest rate decision, expected to be a 25 basis point raise to 3.5% for the Eurozone. To conclude the week, we will see the University of Michigan's Consumer Sentiment Index.

Market Scorecard:	6/9/2023	YTD Price Change
Dow Jones Industrial Average	33,876.78	2.20%
S&P 500 Index	4,298.86	11.96%
NASDAQ Composite	13,259.14	26.68%
Russell 1000 Growth Index	2,655.96	23.06%
Russell 1000 Value Index	1,515.31	1.21%
Russell 2000 Small Cap Index	1,865.71	5.19%
MSCI EAFE Index	2,110.46	8.57%
US 10 Year Treasury Yield	3.74%	-15 basis points
WTI Crude Oil	\$70.17	-12.57%
Gold \$/Oz.	\$1,961.17	7.52%



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