

Beacon Weekly Investment Insights

Historically, September tends to be the time when equity market indices pause and take a breath. As we surpass mid-month we see the same trend taking place. The S&P ended the week down 0.57%, the NASDAQ Composite declined 0.47%, and the Dow Jones Industrials Average fell 0.07%. Not quite so shocking as each remains positive on a year to date basis in the mid to upper teens.

There is quite a bit of cross currents weighing on market and investor sentiment. Over the past few months, we have seen the government in China regulating a variety of for profit industries from online tutoring to most recently gambling and gaming. There is also an issue with one of the largest property developers in China called The Evergrande Group that as we begin this market week, is influencing global equity markets in a negative way. We will continue to monitor this for any further implications.

Here in the US, we had a mixed week of economic data. The Producer Price Index released on Tuesday rose 8.3% on a year over year basis. The report calls into question whether both producer price inflation and consumer price inflation (reported earlier at 5.3% year over year), are as “transitory” as the Federal Reserve continues to believe. Market concerns over this record setting data point is that input costs over time will cut into corporate profits when these increases can no longer be passed on to consumers. Speaking of corporate profits, in a month’s time, third quarter corporate earnings season will begin with consensus expectations for about 28% year over year growth. We continue to believe that inflationary pressures will wane over time as supply chain issues eventually abate.

On a positive note, retail sales surprised to the upside, rising 0.7% in August, easily surpassing the consensus estimates for a decline of 0.7%. Dissecting the data a bit further is more encouraging as sales ex-autos rose 1.8%, suggesting the broader economy still shows pent up consumer demand as the re-opening continues to chug along.

From Washington, we are beginning to see the progress in negotiations over the proposed \$3.5 trillion dollar “social” infrastructure package. Tax increases as a way to fund the spending package at least in the early stages, do not look like they will end up being as high as originally proposed months ago. We also have the bi-partisan \$1 trillion physical infrastructure plan which is likely to be voted on next week. Finally, the US Treasury “debt ceiling” will need to be addressed with a likely raising of the limit by September 30.

Last week we also had the FDA advisory panel recommend against booster shots for the COVID-19 vaccine from Pfizer for the broader population, but recommending the booster for immune compromised individuals as well as people over the age of 65. The full FDA will advise as early as this week whether they will follow the advisory panel’s recommendation. Also, Pfizer just released data on the vaccine in the 5 to 11 year old population this morning, which showed that a lower dose version is safe and effective for young kids.

This week, we will be watching along with everyone else the Federal Reserve Open Market Committee meeting which concludes with Chairman Jay Powell’s press conference on Wednesday. They are expected to outline the plan to likely begin tapering their monthly bond purchases beginning in November. We will also have housing data released with housing starts on Tuesday and existing home sales on Wednesday. On Thursday, the Conference Board will release their Leading Economic Indicator index which is expected to show a 0.5% month over month rise.

Market Scorecard:	9/17/2021	YTD Price Change
Dow Jones Industrial Average	34,584.88	13.00%
S&P 500 Index	4,432.99	18.02%
NASDAQ Composite	15,043.97	16.73%
Russell 1000 Growth Index	2,879.78	17.90%
Russell 1000 Value Index	1,566.95	19.15%
Russell 2000 Small Cap Index	2,236.87	13.27%
MSCI EAFE Index	2,348.46	9.36%
US 10 Year Treasury Yield	1.36%	43 basis points
WTI Crude Oil	\$71.97	48.33%
Gold \$/Oz.	\$1,754.34	(7.59%)

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