

## Beacon Weekly Investment Insights

Stocks rebounded from a short-term bout with volatility since the start of the year. The S&P 500 increased 2.9% last week, moving the iconic index back into positive year-to-date (YTD) territory. Earnings reports, mostly from the financial sector thus far, have been solid on balance, but perhaps the main catalyst for the rise in stocks last week was a well-received Consumer Price Index (CPI) report, despite the headline number increasing from 2.7% to 2.9% on an annualized growth rate.

Diving a bit deeper into last week's market-moving CPI report, energy prices were among the main culprits in the rise, with oil prices up more than 9% YTD. So, why did the stock market rally? Core CPI, which excludes volatile food and energy prices, edged lower to 3.2% from 3.3% on an annualized basis. The Federal Reserve (Fed) tends to pay closer attention to Core CPI and this indicator had its first drop since July. Investors also cheered the housing number in the CPI basket. Housing comprises the largest weight in the CPI and it increased at a 4.6% annualized rate. Although this number seems quite high, it is the smallest year-over-year increase since January 2022.

Other important, but perhaps less watched, economic reports released last week included the Producer Price Index (PPI) and Retail Sales report. PPI, a measure of wholesale inflation, increased for the third consecutive month to an annualized rate of 3.3%, driven by the aforementioned rise in oil prices. However, market participants took this report in stride since the expectations were for a 3.4% increase. The Retail Sales report showed a 0.4% increase in December, reflecting a consumer that continued to spend during the holiday season (+4% YOY) despite inflation concerns.

Banks are usually among the first companies to report quarterly earnings. Fourth quarter earnings reports announced last week for several large banks, such as Goldman Sachs, Morgan Stanley, Bank of America, and Wells Fargo were largely good. They show a growing economy with the prospect of increased deal activity as financial regulations are poised to be relaxed once the new Trump Administration takes control this week. Outside of the financial sector, chip maker Taiwan Semiconductor Manufacturing Company (TSMC) delivered a strong earnings report, reigniting investor enthusiasm for artificial intelligence (AI) stocks.

The economic calendar is a bit sparse this week due to a federal holiday and the Presidential inauguration. Financial markets were closed on Monday in celebration of the Martin Luther King Jr. holiday. The inauguration of President Trump also occurred on Monday in Washington, DC. The World Economic Forum in Davos, Switzerland is occurring this week. This meeting of roughly 3,000 of "the world's economic elite" focuses more on speeches, reports, and white papers than on dealmaking or legislation. Nevertheless, the Forum has been active for more than 50 years and is widely covered by the financial media.

The Conference Board's Leading Economic Index (LEI) report will be released on Wednesday. Last month's reading moved upward for the first time in roughly two years. Investors will look for a continuation of this upward trend from this widely followed forward-looking indicator of economic growth. The Initial Jobless Claims report will be released on Thursday. It often feeds into the monthly unemployment report that is closely scrutinized by the Federal Reserve.

The revised Consumer Sentiment Report will be released on Friday. Lately, confidence has been slightly trending upward, and the consumer constitutes roughly two-thirds of U.S. GDP, hence it bears watching. The Existing Home Sales report will be released on Friday. It will be interesting to see if there is a slowdown in the housing market with average 30-year mortgage rates now exceeding 7%. Lastly, the S&P Purchasing Managers Index (PMI) will also be released on Friday. Similar to LEI it provides a forward-looking measure of economic growth.

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<b>Market Scorecard:</b>	<b>1/17/2025</b>	<b>YTD Price Change</b>
Dow Jones Industrial Average	43,487.83	2.22%
S&P 500 Index	5,996.66	1.96%
NASDAQ Composite	19,630.20	1.65%
Russell 1000 Growth Index	4,096.27	1.34%
Russell 1000 Value Index	1,885.27	3.36%
Russell 2000 Small Cap Index	2,275.88	2.05%
MSCI EAFE Index	2,288.56	1.18%
US 10 Year Treasury Yield	4.609%	+4 basis points
WTI Crude Oil	\$78.37	9.14
Gold \$/Oz.	\$2,735.60	3.67%



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