

Beacon Weekly Investment Insights

The S&P 500 fell 2.5% last week and entered correction territory, despite a 2.1% rally on Friday. A stock market correction is defined as a 10% or more decline from peak to trough. It was the first stock market correction since October 2023. The threat of a tariff war has unnerved investors and many CEOs, such as those from Walmart, Target, and Dollar General, have cited economic uncertainty in their somewhat conservative earnings outlooks.

Some perspective may be helpful in soothing investor jitters. The S&P 500 increased more than 25% on a total return basis for 2023 and 2024. A year-to-date (YTD) decline of less than 5% should be within the risk tolerance threshold of most equity investors. Furthermore, diversification was a hindrance over the 2023-2024 period but has demonstrated its value thus far this year. For example, bonds, as represented by the Bloomberg Barclays Aggregate Bond Index, are up 2.1% YTD. Gold is up an impressive 13.4% YTD on the heels of a 25%+ return last year. The Russell 1000 Value Index is in positive territory (+0.17%) and oft-maligned international stocks are up a robust 9.1% YTD according to the MSCI EAFE Index. In short, diversification is a time-tested approach to reducing portfolio volatility. Beacon has investments in each of these categories on our platform, as well as others that may further reduce portfolio risk.

Two economic reports were released last week that show declining, but still somewhat elevated levels of inflation. The Consumer Price Index (CPI) report was released on Wednesday and showed a decline in its year-over-year (YOY) value from 3.0% to 2.8%. Core inflation, which excludes the volatile food and energy categories, declined to 3.1%, its lowest level since April 2021. The Producer Price Index (PPI) report, a measure of wholesale inflation, was released on Thursday. It showed a YOY increase of 3.3%, down from last month's value of 3.7%. The drop in oil prices, which are down 6.5% YTD, contributed to the decline in PPI.

The University of Michigan Consumer Sentiment Survey released on Friday showed consumer confidence plunged to the lowest levels since November 2022. It is highly likely that the YTD decline in stock prices, high prices for commonly purchased items, and tariff uncertainty all contributed to consumer angst. Earnings season has largely been completed. Somewhat downbeat earnings forecasts from Oracle and Adobe influenced the stock market downdraft.

The economic calendar is fairly active this week. The U.S. Retail Sales report will be released on Monday. The report will be watched closely, given that the consumer accounts for roughly 70% of GDP. Two reports on the housing market will be released this week. The Housing Starts report will be released on Tuesday and the Existing Home Sales report will be released on Thursday. Higher interest rates and elevated home prices have resulted in a suboptimal real estate market that has been a material contributor to heightened levels of the CPI.

The Industrial Production report will be released on Tuesday and provides some insight into the manufacturing sector of the economy. The Conference Board's Leading Economic Index (LEI) report will be released on Thursday. Investors have been concerned about the increased risk of a recession so LEI may shed some light on this important issue. Undoubtedly, the economic highlight of the week will be the Federal Open Market Committee (FOMC) rate decision and press conference on Wednesday afternoon. Although futures markets are currently pricing in no change in short-term interest rates with more than 95% probability, the outlook and some indication of when interest rates will be lowered remain of paramount importance to investors. The remarks of Federal Reserve Chair, Jay Powell, will be closely scrutinized by stock and bond investors alike.

Market Scorecard:	3/14/2025	YTD Price Change
Dow Jones Industrial Average	41,488.19	-2.48%
S&P 500 Index	5,638.94	-4.13%
NASDAQ Composite	17,754.09	-8.06%
Russell 1000 Growth Index	3,715.72	-8.08%
Russell 1000 Value Index	1,826.98	0.17%
Russell 2000 Small Cap Index	2,044.10	-8.34%
MSCI EAFE Index	2,466.65	9.05%
US 10 Year Treasury Yield	4.308%	-27 basis points
WTI Crude Oil	\$67.19	-6.51%
Gold \$/Oz.	\$2,993.60	13.42%



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

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