Beacon Trust
INNOVATING WEALTH STRATEGY

November 6, 2023

Beacon Weekly Investment Insights

Is the Federal Reserve finished raising short-term interest rates? The stock market certainly thinks so. The S&P 500 gained nearly 6% last week, its biggest weekly gain since November 2022. Small Caps did even better, with the Russell 2000 Index up a hefty 7.6% last week. The bulk of the gains occurred over the Wednesday to Friday period, subsequent to the Fed’s latest meeting. The Fed cited higher long-term interest rates, tighter credit conditions, and a moderation in job gains among the reasons for its pause. The futures markets seems to concur, pricing in less than a 5% chance of a rate hike at the Fed’s December 13th meeting.

Bonds bounced back last week as well. The Bloomberg Barclays Aggregate Bond Index gained 2% last week and the index is now almost flat YTD, after staring at the likelihood of 3 consecutive years of losses just a short time ago. The yield on the benchmark 10 Year U.S. Treasury Note ended the week at 4.56%, down from nearly 5.0% just a few short weeks ago. After rip roaring U.S. GDP growth of 4.9% in Q3, economists are now forecasting a sluggish Q4 and beyond. Early GDP growth estimates for Q4 are mostly in the 1% range. At those meager levels an upcoming recession cannot be firmly ruled out, providing further support for the Fed’s pause.

The bulk of the Q3 earnings reporting season is behind us with roughly 80% of companies exceeding earnings estimates. Apple was perhaps the most prominent firm to announce earnings last week. As usual, Apple beat earnings expectations but warned of a subdued holiday season. Target’s CEO provided similar remarks, while obviously speaking about customers from a different industry. Although the United Auto Workers (AUW) union seemed to end their labor disputes with the Big 3 automakers, the unemployment rate edged up to 3.9%, its highest level in more than a year.

The Institute for Supply Chain Management (ISM) published their forward-looking purchasing manager indexes last week. Both indexes fell, although the ISM Services Index still points to moderate expansion. The S&P Case Shiller Index of home prices was also released last week. Despite mortgage rates hovering near two-decade highs, home prices actually edged up 0.35% in August and 6.28% YTD (there are always lags in the reporting of real estate prices, hence the August data released at the end of October). The seemingly paradoxical home price gains in a rising rate environment may be explained by a significant shortage of homes for sale. That is, demand still exceeds supply, hence the upward movement in home prices.

The economic calendar is somewhat light this week. The Consumer Credit report will be released on Tuesday. Analysts will parse the report to see if there is a credit crunch occurring or if the consumer is paring back on spending. As usual, a number of Fed governors are on the speaker circuit this week. The governors often speak the week after Federal Reserve Open Market Committee meetings, providing greater color on their deliberations and signaling possible future policy changes. The highlight will occur on Wednesday, when Jay Powell speaks at the Division of Research and Statistics Centennial Conference in Washington, D.C .

The Wholesale Inventories report will be released on Wednesday, providing another indicator of consumer demand and corporate supply. Swelling inventories may signal tepid consumer demand, while shrinking inventories may signal robust consumer demand. The weekly Jobless Claims report will be released on Thursday, which feeds into next month’s unemployment report. No government reports are scheduled for release on Friday, which is Veterans Day. Thank you to all veterans for their service to our country.

Market Scorecard:	11/3/2023	YTD Price Change
Dow Jones Industrial Average	34,061.32	2.76%
S&P 500 Index	4,358.34	13.51%
NASDAQ Composite	13,478.28	28.78%
Russell 1000 Growth Index	2,754.27	27.62%
Russell 1000 Value Index	1,494.04	-0.14%
Russell 2000 Small Cap Index	1,760.70	-0.03%
MSCI EAFE Index	2,031.06	4.48%
US 10 Year Treasury Yield	4.558%	+68 basis points
WTI Crude Oil	$80.89	0.47%
Gold $/Oz.	$1,999.90	9.28%

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