Beacon Trust
INNOVATING WEALTH STRATEGY

May 22, 2023

Beacon Weekly Investment Insights

The primary driver of financial markets these days appears to be the US Government Debt ceiling negotiations taking place in Washington DC. White House and Congressional leaders kicked off the negotiations and hope to come to an agreement by June 1st, the “deadline” communicated by Treasury Secretary Janet Yellen. Last week, some positive headlines coming out of the negotiations were met positively by equity markets. Fixed income markets remain skittish as the benchmark US Treasury declined on the week, equating to a 21-basis point rise in it’s yield to 3.68%. Treasury Bills maturing in early June are trading with yields more than 5.5%.

Equity markets continue to remain positive throughout the negotiations. First quarter corporate earnings season is about to conclude, and overall, the results have been slightly better than expected. On a year over year basis earnings have declined by only 2.8% versus consensus expectations for a 6.8% decline. Corporate revenues are up 4.4% on a year over year basis. Sector wise, consumer discretionary, industrials, and energy companies have posted double digit earnings gains.

For the week, the three major equity indices posted gains led by the NASDAQ Composites 3.04% rise. This index is now up 20.94% on a year-to-date basis, led primarily by the large technology companies. This is also consistent with the S&P 500 Index, which gained 1.65% on the week and 9.18% year to date. The Dow Jones Industrials, with less technology exposure, gained 0.38% for the week and has risen 0.84% for the year.

Economically, the data released last week is consistent with the sluggishness we expect moving forward. Retail sales rose 0.4% during the month of April. Within that report, spending on dining out rose continuing to point to the resilient consumer and pent-up demand for services. Also released last week was the Conference Boards index of leading economic indicators. Again, consistent with our view, the index fell 0.6% in April marking the 13th consecutive monthly decline. Of the 10 data points within the index, consumer expectations and ISM new orders fell the most.

Coming up this week, the economic calendar is more robust. On Tuesday we will have regional manufacturing indexes from Philadelphia and Richmond along with new home sales data and S&P Global manufacturing and services purchasing managers surveys. Wednesday the Fed minutes from their May meeting will be released. The odds now of another interest rate hike at the June meeting is about even between a hike and a pause, much different that the overwhelming odds for a pause shortly after the May meeting and press conference. Thursday along with the weekly jobless claims, the second read on Q1 GDP and personal consumption data will be released. Friday, ahead of the Memorial Day weekend, durable goods orders, personal income and spending data, University of Michigan’s consumer sentiment index and the closely watched inflation gauge, PCE Deflator. Finally, we will also be looking for some positive developments on the debt ceiling negotiations from Washington DC.

Market Scorecard:	5/19/2023	YTD Price Change
Dow Jones Industrial Average	33,426.63	0.84%
S&P 500 Index	4,191.98	9.18%
NASDAQ Composite	12,657.90	20.94%
Russell 1000 Growth Index	2,561.58	18.69%
Russell 1000 Value Index	1,491.75	-0.36%
Russell 2000 Small Cap Index	1,773.72	1.00%
MSCI EAFE Index	2,131.59	9.65%
US 10 Year Treasury Yield	3.68%	-21 basis points
WTI Crude Oil	$71.55	-10.85%
Gold $/Oz.	$1,977.81	8.43%

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