

Beacon Weekly Investment Insights

Last week's economic data continued to fan the flames of the debate around the trajectory of the economy, concerns over a cool-down in the labor market, and whether or not the Fed will cut by 0.25% or 0.50% in their upcoming meeting this month. As signs of a cooling labor market have contributed to concerns over a growth slowdown as of late, driving significant volatility in markets last month before a subsequent recovery, the payrolls report released last Friday was the key focus for investors looking for signs of further cooling.

The headline payrolls number did show less job creation than anticipated in August with 142,000 jobs added vs. expectations for 165,000, and there were downward revisions for job creation in June and July. These figures created volatility in equity markets and continued to send treasury yields lower. In looking at the totality of the data, it is important to note that the report also showed a drop in the unemployment rate from 4.3% to 4.2%, an increase in weekly hours worked, and a larger than expected increase in average hourly earnings of +0.4% relative to expectations for a +0.3% increase. Ultimately, continued concerns around a cooling in the labor market and a growth slowdown, negative seasonality (September is not historically a strong month for markets), and a continued downdraft in large-cap tech names like Nvidia all conspired to produce the worst week of the year thus far for the S&P 500 and the Nasdaq. The S&P 500 closed the week down -4.26%, with the Nasdaq down -5.90%, and the Dow Jones faring better on a relative basis but still down by -2.99% for the week. The 10-yr treasury moved down meaningfully for the week to 3.71% from 3.91% at the start of the week.

The ISM Manufacturing and Services reports were also released last week. The ISM Manufacturing Index came in below expectations with a reading of 47.2% vs. expectations for 47.9%, however did improve from last month's reading of 46.8%. On the services side, the index ticked up to 51.5% from last month's reading of 51.4%, and ahead of expectations for 51%. Overall, the reports are in line with what we have been seeing for quite some time, with the manufacturing sector in mildly contractionary territory, which has been offset by moderate strength in the services sector. As we mentioned in last week's write-up, 2nd quarter GDP growth was recently revised upward to 3.0% from 2.8%, and inflation continues to moderate as per the most recent reading on Core PCE (the Fed's preferred measure of inflation).

In addition, corporate earnings remain broadly supportive. With 99% of the S&P 500 having reported, aggregate Q2 earnings growth for the S&P 500 has come in well ahead of expectations at 11.3%, relative to consensus estimates for 8.9% growth. Earnings growth is expected to moderate somewhat in the 3rd quarter to mid-single digits, however the expectations for the 4th quarter and for next year are currently for 15% earnings growth.

With all of these data points and the various cross-currents for the economy contemplated, our outlook continues to be for a modest slowdown in the economy and for the Fed to begin to reduce interest rates at a measured pace, as opposed to a sharp slowdown and the need to aggressively cut rates. Alongside this outlook, we continue to approach the management of our client's portfolios with a disciplined and opportunistic mindset that focuses on ensuring that asset allocation remains appropriate, that sufficient cash is on hand to meet upcoming needs, and that focuses on investing in great companies with superior financial metrics and strong outlooks for growth with a long-term mindset.

The primary focus this week from an economic perspective will be on upcoming releases of inflation data. CPI (consumer price index) data will be released on Wednesday, with PPI (producer price index) set to be released on Thursday. Also released on Thursday of every week, will be jobless claims numbers, which investors continue to focus on given the recent concerns we noted above around a cooling labor market. Consumer sentiment data is set to be released on Friday.

| Market Scorecard: | 9/6/2024 | YTD Price Change |
|------------------------------|-----------------|-------------------------|
| Dow Jones Industrial Average | 40,345.41 | 7.05% |
| S&P 500 Index | 5,408.42 | 13.39% |
| NASDAQ Composite | 16,690.83 | 11.19% |
| Russell 1000 Growth Index | 3,479.96 | 14.03% |
| Russell 1000 Value Index | 1,790.63 | 9.89% |
| Russell 2000 Small Cap Index | 2,091.41 | 3.17% |
| MSCI EAFE Index | 2,383.01 | 6.57% |
| US 10 Year Treasury Yield | 3.71% | -17 basis points |
| WTI Crude Oil | \$67.67 | -5.55% |
| Gold \$/Oz. | \$2,524.60 | 21.86% |



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

Important Information: Beacon Investment Advisory Services, Inc. ("BIAS") is an SEC registered investment adviser, under the name Beacon Trust, and is wholly owned by Beacon Trust Company ("BTC"), which is a subsidiary of Provident Bank. Provident Bank is a subsidiary of Provident Financial Services, Inc., a holding company whose common stock is traded on the New York Stock Exchange. Beacon Trust may only transact business in those states where they are notice filed or qualify for a corresponding exemption from notice filing requirements. Additional information is contained in the respective Form ADV disclosure documents, the most recent versions of which are available on the SEC's Investment Adviser Public Disclosure website at <http://www.adviserinfo.sec.gov>.

SECURITIES AND INVESTMENT PRODUCTS: Not FDIC Insured | May Lose Value | No Bank Guarantee

This publication is limited to the dissemination of general information pertaining to the wealth management products and services offered by Beacon to U.S. residents of those states where not prohibited by applicable law. No portion is to be construed as a solicitation to effect transactions in securities or the provision of personalized investment, tax, or legal advice. Investing involves risks which may lead to losses, including loss of principal. Different types of investments involve varying degrees of risk and there can be no assurance that any specific investment will be profitable. Any reference to a market index is included for illustrative purposes only, as it is not possible to directly invest in an index. Indices are unmanaged vehicles that serve as market indicators and do not account for the deduction of management fees or transaction costs generally associated with investable products, which otherwise have the effect of reducing the performance of an actual investment portfolio. Calculation methodologies are available from BIAS upon request.

Past performance is not a predictor of future results. It should not be assumed that any information discussed herein will prove to be profitable or that decisions in the future will be profitable or provide specific performance results. Any discussion of tax matters contained within this communication should not be used for the purpose of avoiding U.S. tax related penalties or promoting, marketing, or recommending to another party any transaction or matter addressed herein. Beacon Trust does not provide legal advice. 00217079