Beacon Trust
INNOVATING WEALTH STRATEGY

March 24, 2025

Beacon Weekly Investment Insights

Equity markets finished last week in positive territory after four straight weeks of declines amidst on-going volatility. Investors digested comments from Fed Chair Powell last Wednesday and continued to grapple with mixed economic data, uncertainty around tariffs, the trajectory for economic growth and inflation, and geopolitical events. The S&P 500 closed the week up 0.51%, with the Dow Jones up 1.20% and the tech-heavy Nasdaq continuing to lag, closing the week up 0.17%. The 10-yr. treasury yield closed the week down 5 bps to 4.25%.

Broadly speaking, economic data was generally well received last week. The U.S. Retail Sales report was released last Monday and came in below expectations, increasing 0.2% in February relative to expectations for 0.6% growth, and up from January's downwardly revised reading of -1.2%. However, there was a positive takeaway for investors in that the control-group sales that feed into GDP were better than expected. Housing starts for February came in well above expectations at 1.50 million relative to expectations for 1.38 million, and up from the prior reading of 1.35 million. The same was true for existing home sales, which came in at 4.26 million, well above expectations for 3.95 million, and up from the prior reading of 4.08 million. Last week also brought some mixed data on the manufacturing front, with the Philadelphia Fed Manufacturing survey coming in ahead of expectations, and the Empire State Manufacturing Survey showing a larger than expected drop and moving into contractionary territory.

The primary focus was of course on the Fed meeting last Wednesday, and Chair Powell's comments in the press conference. The Fed kept interest rates on hold as expected. The median dot plot (a chart detailing where each member of the Fed's policymaking committee expects interest rates to be in the next few years) forecasts remained unchanged from December and still showed two 25 bps rate cuts for 2025, however there was a larger increase in dispersion among committee members. The Fed revised their GDP growth forecast down to 1.7% from 2.1%, and increased the inflation outlook, with the headline PCE forecast moving up to 2.7% from 2.5% and the Core PCE forecast increasing to 2.8% from 2.5%. With that said, Chair Powell's comments on the economy remained somewhat upbeat, and he suggested (while somewhat surprisingly bringing back the "transitory" terminology) that inflationary impacts from tariffs may be temporary. Importantly, Chair Powell also announced that the Fed will be slowing QT (quantitative tightening), reducing the balance sheet runoff from $25 billion to $5 billion per month for the Fed's treasury holdings. All-in-all, the meeting was viewed to be more dovish than had been anticipated.

Volatility returned towards the end of the week, as investors continued to grapple with concerns over the potential for a waning consumer and general slowdown given the high degree of uncertainty and potential impacts from tariffs. To that end, shares of FedEx (which is generally viewed as a barometer for the broader economy) traded down double-digits last Friday after the company cut its annual forecasts. CEO Raj Subramaniam cited an uncertain and challenging operating environment, and some weakness in the industrial economy weighing on the company's higher-margin business-to-business segment. This also played into some concerns around negative preannouncements heading into Q1 earnings season, and the potential for what are currently strong earnings growth estimates to be revised down. As of now, aggregate earnings growth for the S&P 500 is expected to be 7.1% for the first quarter, and 11.4% for 2025. We will keep you posted on this front as earnings season kicks off in earnest in the coming weeks.

As we navigate a highly uncertain environment marked by on-going volatility, we continue to espouse the importance of investing in high quality companies with a long-term and opportunistic mindset. We also continue to focus on the importance of diversification, the benefits of which have been on display as bonds, international equities, and alternative asset categories have all added value relative to the S&P 500 for the year thus far. In addition, we maintain an on-going focus on ensuring that sufficient liquidity is on hand to meet client's needs, so that equities do not need to be looked to as a source of funds during volatile periods in the market.

Looking towards the week ahead, a significant amount of economic data is set to be released. The S&P Case-Shiller Home Price Index, New Home Sales, and Consumer Confidence data are set to be released on Tuesday. The Durable-goods orders report will be released on Wednesday, with the weekly jobless claims data on Thursday being released alongside the 2nd revision to GDP and Pending home sales. We will also be hearing from a variety of Fed officials throughout the week. The most consequential release for the week will be on Friday, with the Core PCE (the Fed's preferred measure of inflation) report set to be released.

Market Scorecard:	**3/21/2025**	**YTD Price Change**
Dow Jones Industrial Average	41,985.35	-1.31%
S&P 500 Index	5,667.56	-3.64%
NASDAQ Composite	17,784.05	-7.91%
Russell 1000 Growth Index	3,726.07	-7.82%
Russell 1000 Value Index	1,844.85	1.15%
Russell 2000 Small Cap Index	2,056.98	-7.77%
MSCI EAFE Index	2,484.98	9.87%
US 10 Year Treasury Yield	4.25%	-32 basis points
WTI Crude Oil	$68.28	-4.80%
Gold $/Oz.	$3,021.40	14.40%

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