Beacon Trust
INNOVATING WEALTH STRATEGY

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Beacon Weekly Investment Insights

Post the election euphoria markets are taking a breather to assess exactly what the President-elect's proposals mean for the future of the economy, inflation, interest rates, the deficit, and international relations, not to mention what some would say are controversial cabinet picks. The markets like predictability and stability which was lacking this past week. Since the Fed's cut of 50 bps in September and an additional 25 bps at this month's meeting the 10-year Treasury yield has risen to 4.44% or 88 bps from mid-September; signaling some concern over the need for further rate cuts given the strength in the economy.

This was confirmed by Fed Chair Powell in a speech at the Dallas Federal Reserve Thursday where he seemed to imply that the future pace is up for debate though he was clear that the long-term trend for the dual mandate is in place. His exact words were" The strength we are currently seeing in the economy gives us the ability to approach our decisions carefully". Post those remarks the market priced in a less than a 60% probability of a December cut and 40% chance of no cut down significantly from 64.6% only a week ago and 85.5% a month earlier. This reset fueled further weakness in the equity markets as the Dow, S&P 500 and Nasdaq retreated 1.24%, 2.08% and 3.15% respectively on the week.

Last week's economic data overall was strong validating Powell's comments. On Wednesday both the October Consumer Price Index (CPI) and Core CPI rose 0.2% and 0.3% respectively in line with estimates while on a year-over- year basis they stand at 2.6% and 3.3% in line with expectations but still a far cry from the Fed's target. Recall the favored indicator of inflation for the FOMC is the PCE, yet to be announced, so we will see whether it confirms these findings.

Further announcements supporting strong growth came during the week. On Thursday, both the October Producer Price Index PPI) and Core PPI, which tracks inflation before it hits the consumer, came in as expected rising 0.2% and 0.3% respectively. However, year- over- year PPI rose 2.4% driven by an increase in services prices. In September PPI was 1.9% and year -over- year Core was 3.1%. Also on Thursday was Initial Jobless Claims at 217,000 vs. 220,000. This was the lowest in six months while continuing claims were 11,000 or 1.87 mil.

Friday saw several strong reports. The Empire State Manufacturing Survey rose 31.2% vs expected -12%; the strongest reading since September 2021. October US Retail Sales confirmed consumer resiliency increasing a better than anticipated 0.4%. September was revised up to 0.8% from 0.4%. Minus autos sales were up 0.1% lower then expected but the September revision increased to 1.0% from 0.5%. Industrial production saw its second month of declines due to hurricanes and the Boeing strike. This should rebound in November as the effects of these dissipate. Capacity Utilization also declined month over month to 77.1 from 77.4 in September. Business Inventories rose 0.1% down from the prior month of 0.3%. This puts inventories 2.6% below the 1972-2023 average. Retail and auto inventories increased 0.9% and 2.1% respectively.

Clearly the economy is chugging along, and the consumer is showing signs of resiliency, but the markets are forward looking and asking the former President "What can you deliver and when?" 2025 will be pivotal as we gain clarity into his ability to implement his pro-growth agenda without ballooning the deficit.

In the upcoming week there will be housing data and earnings from many retailers, Palo Alto and Intuit but, most certainly, investors are eagerly anticipating Nvidia's report and outlook.

Market Scorecard:	11/15/2024	YTD Price Change
Dow Jones Industrial Average	43,444.99	15.27%
S&P 500 Index	5,870.62	23.08%
NASDAQ Composite	18,680.12	24.44%
Russell 1000 Growth Index	3,901.66	27.85%
Russell 1000 Value Index	1,897.44	16.45%
Russell 2000 Small Cap Index	2,303.84	13.65%
MSCI EAFE Index	2,275.34	1.80%
US 10 Year Treasury Yield	4.44%	56 basis points
WTI Crude Oil	$67.03	-6.1%
Gold $/Oz.	$2,571.80	29.80%

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