Beacon Trust
INNOVATING WEALTH STRATEGY

May 1, 2023

Beacon Weekly Investment Insights

The S&P 500 increased 0.9% last week, closing the books on April. On a year-to-date basis, the S&P increased a solid 8.6%, recouping a portion of last year's sizeable losses (-18.1%). As we have discussed in our prior writings, Growth (+15.1%) has substantially outperformed Value (+1.8%), led by the strong performance of several large cap technology companies. Speaking of which, we are in the midst of 2023Q1 earnings season and large cap tech has largely delivered. Alphabet, Meta, and Microsoft exceeded expectations while Amazon.com shared a somewhat disappointing outlook for their all-important cloud computing division. Apple, another iconic technology and consumer-oriented stock, will report its earnings on Thursday after the market closes.

Although the regional banking crisis has slowly receded into the background, to borrow a quote from *Jaws*, for troubled banks "it's still not safe to go into the water." The saga surrounding First Republic, once the fourteenth largest bank in the United States appears to have come to an end. It was sold this weekend in a "shotgun wedding" organized by the Federal Deposit Insurance Company (FDIC), akin to the recent Credit Suisse – UBS merger brokered by the Swiss National Bank. JP Morgan was the winning bidder for First Republic, a bank once known for its affluent clientele and high levels of service.

The 2023Q1 GDP Report was released last week. The reported number of 1.1% GDP growth was well below the recent consensus estimate of 1.8%. This meager growth rate places the economy on the precipice of a recession, despite a somewhat resilient consumer. The Case Shiller Home Index report published last week revealed a paltry 0.36% increase over the past year, providing some evidence that rising mortgage rates are taking their toll on the housing market.

The Core Personal Consumption Expenditure (PCE) Index was released last week, showing an increase of 4.6% over the past year, slightly ahead of the consensus estimate of 4.5%. The Core PCE is the Fed's preferred gauge of inflation, and the elevated reading gives the Federal Reserve cover to raise short-term interest rates yet again. Futures markets are pricing in a roughly 85% chance that the Fed will raise rates another 0.25% on Wednesday. The new expected Federal Funds Rate of 5.25% is a generational high. Interest rates at this level are good for savers, but often tap the brakes on the economy since it makes it more expensive to borrow money for consumers, businesses, and governments.

The turn of the month usually kicks off a fresh round of important economic reports. The Institute for Supply Chain Management (ISM) surveys buyers or purchasing managers and provides a widely followed forward looking economic outlook. The ISM Manufacturing Report will be released on Monday and the ISM Services Report will be released on Wednesday. The Unemployment Report will be released on Friday. It may be the most important economic report of the week since it may drive future Federal Reserve policy as well as potentially officially tip the economy into a formal recession. We are not fans of the Wall Street expression, "Sell in May and go away," but reiterate our view that volatility may increase in the short-run, if the economic data continues to trend downward.

Market Scorecard:	**4/28/2023**	**YTD Price Change**
Dow Jones Industrial Average	34,098.16	2.87%
S&P 500 Index	4,169.48	8.59%
NASDAQ Composite	12,226.58	16.82%
Russell 1000 Growth Index	2,484.67	15.13%
Russell 1000 Value Index	1,523.90	1.79%

Russell 2000 Small Cap Index	1,768.99	0.44%
MSCI EAFE Index	2,143.85	10.28%
US 10 Year Treasury Yield	3.452%	-43 basis points
WTI Crude Oil	$76.63	-4.82%
Gold $/Oz.	$1,999.40	9.24%

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