

Beacon Weekly Investment Insights

The S&P 500 declined a modest 0.26% last week after briefly touching an all-time high. However, the breadth of the equity market continued to expand with the Russell 1000 Value Index and Russell 2000 Small Cap Index increasing 1.1% and 0.3%, respectively. International equities also rose, with the MSCI EAFE index adding 1.5% over the course of the week. Gold and, dare we say, Bitcoin also put on their rally hats with both assets also moving into record territory. Longer-term bond yields declined to their lowest levels in five weeks, with the benchmark 10-Year Treasury Note ending the week at 4.09%. With earnings season largely in the books, notwithstanding a good report from Target and some other smaller retailers, the focus last week was on macroeconomic data and Congressional testimony from Federal Reserve Chair, Jay Powell.

The unemployment report was released last Friday and the results were mixed. The headline unemployment number increased from 3.7% to 3.9%, the highest level since January 2022. However, employers added a solid 275,000 jobs last month. The difference between the two numbers may be explained by the nuances of the job report calculations, such as the labor force participation rate, prior revisions, and population growth. Wages also increased a modest 0.1% over the prior month. In short, the unemployment report gives the Fed room to cut interest rates as the calendar year unfolds.

Speaking of the Fed, Chair Jay Powell spoke with Congress over a two-day period last week in an annual session required by the Humphrey-Hawkins Act of 1978. As usual, the Fed Chair did not want to commit to any specific course of action. However, reading the economic tea leaves, Chairman Powell stated the Fed is “not far” from lowering interest rates. Futures markets are estimating the first rate cut will occur in June, extended from a March estimate only a few months earlier. He also extended an olive branch to much maligned banks which have been struggling since the Silicon Valley Bank failure last year, suggesting that forthcoming regulation, informally known as the “Basel III endgame,” needs substantial revisions before being finalized. Since market participants tend to look ahead three to six months, on balance Chairman Powell’s remarks were viewed as dovish. President Biden also delivered what was generally regarded as an effective State of the Union Address, further bolstering investor confidence.

Inflation remains at the forefront of investors’ minds. As we have written in the past, the declines in aggregate inflation rates are *disinflation* and not deflation. That is, prices are rising at a slower rate and not falling. It takes a while for the “sticker shock” to wear off for most consumers, exemplified by viral social media posts on McDonald’s value meals routinely costing more than \$15. Accordingly, the Consumer Price Index (CPI) report released on Tuesday will be perhaps the most important economic report this week.

The CPI report will be followed by the Producer Price Index (PPI) report, a measure of wholesale inflation, on Thursday. The PPI is often a leading indicator for the CPI, so it will also garner a fair amount of attention from market analysts. The Retail Sales Report will also be released on Thursday, providing a pulse on all-important consumer spending. The week winds up with two noteworthy reports on Consumer Sentiment and Industrial Production. The former report provides yet another reading on consumer health, while investors will scrutinize the latter report to help determine if the manufacturing sector is finally able to break away from its recessionary levels. Lastly, with daylight savings set in motion this weekend, we hope our clients enjoy the extra sunlight and warming temperatures.

Market Scorecard:	3/8/2024	YTD Price Change
Dow Jones Industrial Average	38,722.69	2.74%
S&P 500 Index	5,123.69	7.42%
NASDAQ Composite	16,085.11	7.15%
Russell 1000 Growth Index	3,328.25	9.06%
Russell 1000 Value Index	1,710.02	4.95%
Russell 2000 Small Cap Index	2,082.71	2.74%
MSCI EAFE Index	2,357.74	5.44%
US 10 Year Treasury Yield	4.089%	22 basis points
WTI Crude Oil	\$77.85	9.13%
Gold \$/Oz.	\$2,186.20	5.52%



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. 00217050