Beacon Trust
INNOVATING WEALTH STRATEGY

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Beacon Weekly Investment Insights

Many investors entered the week with hopeful anticipation that the upcoming economic data and the commencement of the 1Q earnings season would further indicate moderating inflation, continued growth, and a confident consumer; allowing the Federal Reserve to begin the next easing cycle and, by doing so, declare victory on navigating a soft landing. Hopes were dashed by mid-week as the data, for the most part, came in stronger than expected and virtually assuring a postponement of any easing until the back half of the year.

On Wednesday the Consumer Price Index (CPI) came in at 0.40% m/m versus the estimate of 0.30% and year-over-year increasing 3.5% v 3.4% estimate and 3.2% in February. Core, ex food and energy, came in at 0.4% m/m versus estimate 0.3% and 3.8% y/y versus 3.7% estimate. Strength was seen in Medical Care Services, Airfares, and Car Insurance; declines were in Used Car prices and Rent.

CPI was followed on Thursday by the Producer Price Index (PPI) which rose 0.2% in March seasonally adjusted. The index increased 2.1% for the twelve months ended March, the largest advance since rising 2.3% for the 12 months ended April 2023.

Import prices rose more than expected too; rising 0.4% v 0.3% est. This is the largest 3-month gain boosted by 4.7% increase in fuel. Import prices for food, feeds and beverages were up 1.6%, the largest increase since July 2023.

Other announcements were the Small Business Optimism Survey. Participants noting inflation and higher minimum wages as headwinds. The latest University of Michigan Consumer Survey showed that sentiment largely remained steady in April, however it did edge lower to 77.9 from the prior months 79.4. On the positive side, results remain well above the record lows seen in the summer of 2022, when inflation reached a 40 year high, though it remains below pre pandemic highs. Clearly, the trend is unsettling but reflects higher energy, food and housing costs consumers are facing.

Given the announcements, the market swiftly repriced to reflect a higher probability of only two cuts in 2024. In fact, two Fed officials, John Williams and Susan Collins, quickly reassured markets on Thursday that it was still possible that interest rates would be cut this year but the timing was still fluid. Both indicated confidence that a continued trend towards 2% is on course but noted that getting there will be challenging and uncertain. Collins specifically identified housing and non-shelter services as areas she is watching. Remember that PCE is the preferred inflation gauge most watched by the Fed and it is currently below 3%.

The earnings season began with many of the money center banks reporting. JP Morgan beat on both revenue and earnings increasing 9% and 6% respectively exceeding analyst estimates. Despite the strong results Jamie Dimon warned that “trouble could lie ahead”. Being the CEO of one of the largest and most respected financial institutions, he is in a unique position to monitor many trends impacting consumers and corporations. He specifically mentioned geopolitical tensions, wars, persistent inflationary pressures, and the yet unknown impact of quantitative tightening. Jamie’s comments, like Warren Buffet, are watched closely and can be market moving as they were Friday.

Blackrock, Wells Fargo and Citigroup followed JPM. Citi and Wells exceeded estimates as well but noted declines in net interest income (NII). In contrast, JPM saw an increase of 11%. NII, the money a bank earns from loans minus the interest it pays on deposits, is closely watched for the health of banks. All noted the impact of the FDIC special assessment to clean up last years regional bank fiasco surrounding Silicon Valley and Signature banks liquidations. This is a non-operating item and has no significant impact. Investment giant Blackrock saw assets under management swell to $10.5 trillion in the first quarter and beat on the top and bottom lines.

In response to all this tepid news and the anticipated Iranian attack on Israel over the weekend, markets were in a risk-off mode. The broader S&P 500 declined 1.6%, the Dow Jones Industrial Average retreated 2.4% and the Nasdaq, the clear winner, was down a mire 0.5%. The 10-year yield ended the week at 4.51%. The VIX (a gauge of volatility) rose to its highest level since October 2023. This uncertainty was reflected with investors seeking safe haven assets. Gold hit a new high rising 2.8%; the third weekly gain along with oil prices continuing to rise as Mideast tensions escalate.

Upcoming this week are more then 40 companies reporting earnings dominated by more financials led by Goldman Sachs, Morgan Stanley, PNC, American Express and Blackstone. Non financials JNJ, Abbott Labs, UnitedHealth, Netflix, Taiwan Semi and P&G are also on deck. The Census Bureau reports estimates of retail and food service sales for March.

Market Scorecard:	**4/12/2024**	**YTD Price Change**
Dow Jones Industrial Average	37,983.24	0.78%
S&P 500 Index	5,123.41	7.41%
NASDAQ Composite	16,175.09	7.75%
Russell 1000 Growth Index	3,349.59	9.76%
Russell 1000 Value Index	1,692.23	3.85%
Russell 2000 Small Cap Index	2,003.17	(1.20%)
MSCI EAFE Index	2,317.36	3.63%
US 10 Year Treasury Yield	4.518%	62 basis points
WTI Crude Oil	$85.66	21.47%
Gold $/Oz.	$2,374.10	13.50%

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