

## Beacon Weekly Investment Insights

As we have noted in various weekly writings this month, the economic data continues to support a growth rate in the US economy of about 2.5% on an annualized basis. Historically, not a robust rate, but thinking back to 2023, it certainly is better than the potential negative growth rates we had been discussing. The downside to this resilience lies with the “last mile” inflation issue. According to the latest Consumer Price Index (CPI) report from 2 weeks ago, inflation remains stubborn at a 3.5% annual pace versus the Federal Reserve’s target of 2.0%. This data, along with a few other data points from last week, that I will discuss below, has pushed expectations for the anticipated Fed Funds interest rate reduction to later in the year, if at all. Confirmation of this came directly from many of the regional Fed Governors during the week during planned interviews and speeches. Chairman Powell himself, also confirmed the current thinking that the recent inflationary data being higher than expected would cause a delay in rate cuts.

With this backdrop, financial markets almost across the board had negative performance for the week. The Dow Jones Industrial Index was basically unchanged, but the S&P 500 Index declined by 3.05%, while the NASDAQ Composite fell by 5.52%. In the fixed income markets, yields rose as prices fell. The 2-year US Treasury briefly hit the 5.0% mark and settled on the week at 4.99% while the US 10-year Treasury ended the week up 10 basis points, closing with a yield of 4.62%.

On the data front, US Retail Sales was the release gaining the most attention. On a month over month basis, sales grew 0.7% versus expectations for a 0.3% rise. Excluding autos and gasoline, sales grew 1.0% versus the expectations for a 0.3% rise. Coupled with the March report, February’s release was also revised higher to a 0.9% rate versus 0.6%. Personal consumption remains approximately 70% of GDP calculations, suggesting strength in the Q1 GDP figures to be released later this week.

Housing data released last week painted a weaker environment as sales of existing homes fell 4.3% in March from February, the largest percentage decline since November 2022. Mortgage rates started to rise in February and now the 30-year conventional fixed rate jumped nearly 25 basis points to 7.1% as of April 18<sup>th</sup>, according to Freddie Mac, which puts pressure on housing affordability. The National Association of Realtors stated that the median existing home price in the US rose on a year over year basis by 4.8% in March to \$393,500.

Late Friday and continuing over the weekend, the US Congress passed aid packages for Ukraine, Israel, and Taiwan after contentious debates. House Speaker Mike Johnson may face the same fate as former Speaker Kevin McCarthy did when he was ousted from his position on a procedural vote. This political turmoil in the US Government continues as does the geopolitical tensions. We note these as they do tend to create some short-term influence of financial markets, however, we do like to remind clients that the historical data places less correlation of these events on longer term performance.

As we look ahead, the economic data in focus will be released all throughout the week. Tuesday, S&P Global releases Manufacturing and Services PMI. Thursday is the release of the first quarter GDP estimate, along with personal consumption data, retail and wholesale inventories, and initial jobless claims. Friday brings personal income and spending data, the University of Michigan’s consumer sentiment survey, and the important Personal Consumption Expenditures Index (PCE), which is the Federal Reserve’s preferred measure of inflation.

Not to be overlooked, corporate earnings releases will also be forthcoming from a variety of economic sectors. Companies in focus include tech giants, Microsoft, Meta, Alphabet along with pharmaceuticals and healthcare such as Gilead Sciences, Biogen, and Merck. Energy companies such as Chevron, Exxon, and Valero along with consumer giants Pepsi and Philip Morris International, to name just a few.

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| <b>Market Scorecard:</b>     | <b>4/19/2024</b> | <b>YTD Price Change</b> |
|------------------------------|------------------|-------------------------|
| Dow Jones Industrial Average | 37,986.40        | 0.79%                   |
| S&P 500 Index                | 4,967.23         | 4.14%                   |
| NASDAQ Composite             | 15,282.01        | 1.80%                   |
| Russell 1000 Growth Index    | 3,184.26         | 4.34%                   |
| Russell 1000 Value Index     | 1,680.04         | 3.11%                   |
| Russell 2000 Small Cap Index | 1,947.66         | (3.92%)                 |
| MSCI EAFE Index              | 2,236.31         | 0.01%                   |
| US 10 Year Treasury Yield    | 4.62%            | 74 basis points         |
| WTI Crude Oil                | \$83.14          | 16.04%                  |
| Gold \$/Oz.                  | \$2,391.93       | 15.95%                  |

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