

## Beacon Weekly Investment Insights

S&P 500 index, the barometer for U.S. stocks, closed out the first half of the year at a record high, up 14% over the past six months. Dow Jones Industrial Average also advanced 13% year-to-date. Small cap stocks, which tend to be more cyclical, rose even higher, registering a 16% gain since the beginning of the year. Strong economic recovery, driven by vaccine distribution, lower unemployment, higher consumer spending, upbeat business confidence, fiscal stimulus, and easy monetary policy resulted in equity returns that were quite strong by historical standards.

Last week's economic data continued to be solid. Initial jobless claims dipped to 364,000, a pandemic-era low. Institute of Supply Management's (ISM) manufacturing index showed continued expansion. Case-Shiller Home Price index showed that home prices appreciated by 14.6% over the past 12 months nationally, the highest reading since the inception of the index 30 years ago. Parade of good economic news was capped on Friday with the monthly nonfarm jobs report, which showed 850,000 new jobs added in June, well ahead of expectations, as businesses stepped up hiring to keep up with surging demand, especially in the leisure and hospitality sector.

Following the Federal Reserve's announcement that all 23 large banks passed the 2021 stress tests and had sufficient capital levels against hypothetical economic downturn scenarios, most banks boosted their dividends and increased share buybacks. Goldman Sachs raised its dividend by 60% while Morgan Stanley doubled its dividend. Banks will kick off the second quarter earnings season next week, and their announcements will offer further insights into the health of the U.S. financial system.

After surging 45% since the beginning of 2021, oil prices are now at their highest level since 2018 at \$75 per barrel. OPEC members met but failed to reach a production deal last week, as discussions continue this week. OPEC cut production by almost 10 million barrels a day during the pandemic, and restored only 4 million barrels a day during the recovery. If OPEC fails to reach a deal, oil prices could continue to spike higher toward the psychologically important \$100 level.

The holiday shortened week will be light in terms of economic data with just the ISM services report being released during the week. Minutes from the June FOMC meeting will also be released this week, where we will learn about the Fed's thinking around when and how much they may begin to wind down their bond purchases, i.e. quantitative easing program.

As we enter the second half of 2021, we expect market returns to moderate and volatility to pick up sporadically, especially if fears of high inflation re-emerge and there's a sudden shift in the monetary policy. After all, summer months and third quarter of a calendar year tend to produce the weakest returns, albeit still positive.

We remain cautiously optimistic in our outlook for both the economy and the stock market. Our portfolios remain well diversified with fixed income and alternative investments to dampen any volatility in equity investments.

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<b>Market Scorecard:</b>	<b>7/2/2021</b>	<b>YTD Price Change</b>
Dow Jones Industrial Average	34,786.35	13.60%
S&P 500 Index	4,352.34	15.87%
NASDAQ Composite	14,639.33	13.59%
Russell 1000 Growth Index	2,771.12	14.14%
Russell 1000 Value Index	1,577.46	16.88%
Russell 2000 Small Cap Index	2,305.76	16.76%
MSCI EAFE Index	2,315.50	7.82%
US 10 Year Treasury Yield	1.44%	52 basis points
WTI Crude Oil	\$75.16	54.91%
Gold \$/Oz.	\$1,783.30	(5.80%)

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