Beacon Trust
INNOVATING WEALTH STRATEGY

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Beacon Weekly Investment Insights

As the cloud of tariffs continued to hover over the markets, the state of the economy and corporate commentary were the focus as a plethora of data was released throughout the week. In short, the long anticipated hard data is beginning to validate that the economy is beginning to weaken and CEO's, in many cases, are suspending guidance given the lack of visibility. The President remains vigilant that his policies will lead to growth and vindicate his unorthodox approach though "it will take time and be painful". His first 100 days, as measured by the S&P 500 return, is the 3rd worst in history and his approval ratings have weakened considerably. Neither seems to be a deterrent to staying the course though he, and his advisors, are sensitive to bond yield volatility, a high predictor of dislocation.

Some of the strong market response this week is attributable to investors interpreting the President's agreement with Ukraine on rare earth mineral access and the announcement in Detroit that auto manufacturers would not be impacted by the steel and aluminum tariffs, signaling a less harsh tone from the administration. With approximately 60 days left in the tariff postponement, investors appear optimistic for a less onerous outcome. For the week stocks rose between 3% and 3.4%, virtually erasing the post-Liberation Day decline. With the exception of Oil & Gas, all sectors were up led by Telecom, IT, Industrials and Financials.

Though we stand by our call that a recession is not imminent clearly the recent reports indicate a slowing and consumer confidence is waning down to 86 or 7.9 weaker month over month. Consumers continue to be cautiously resilient based on job security as both consumer spending and personal income rose in March. The job opening rate was 4.3% and the quits rate 3.3% so clearly enough opportunities for those who seek change. Initial Jobless Claims rose to 241,000 versus the estimate of 225,000. The sluggish housing market got a reprieve as pending home sales jumped 6.1%. Is this temporary or an inflection point? It will be highly dependent on the direction of interest rates and employment. ADP employment came in at 62,000 vs the estimate of 120,000. The all-important non-farm payroll was announced Friday morning and the US added 177,000 jobs vs. the estimate of 138,000; February and March numbers were revised downward. The unemployment rate was steady at 4.2%, the labor force participation rate rose slightly to 62.6%, and wages moderated both m/m and y/y. Not surprisingly government jobs shrank on the DOGE initiative, but gains were seen in Transportation, Healthcare, Construction and Manufacturing. Granted these are backward looking and do not reflect the tariff impact but given the strong numbers there's no urgency for the Fed to cut rates now, especially with higher inflation a real possibility. The markets are anticipating 3-4 cuts beginning in June, but nothing is for certain.

We received on Wednesday the first read on the 1Q Gross Domestic Product (GDP), confirming the slowdown, at -0.3% as companies pulled forward purchases ahead of higher prices due to tariffs. Later that day the Fed's preferred inflation gauge, PCE, was unchanged from a month earlier and 2.3% year over year declining slightly. In isolation this would be positive as the 2% goal is in sight; however, the pending tariffs are inflationary causing this to possibly reverse in the coming months. April ISM manufacturing showed continued contraction at 48.7 down from 49. Recall anything sub 50 is considered a cooling.

70% of companies have reported 1Q earnings with 75% above expectations and 60% exceeding revenue slightly below the 5 and 10 year average but as noted earlier, and of more significance, is the guidance which has been muted or outright suspended due uncertainty. Reporting this week are AMD, Duke Energy, Disney, Uber, Conoco and many more.

Market Scorecard:	05/2/2025	YTD Price Change
Dow Jones Industrial Average	41,317.43	-2.88%
S&P 500 Index	5,686.67	-3.31%
NASDAQ Composite	17,977.73	-6.90%
Russell 1000 Growth Index	3,797.57	-6.05%
Russell 1000 Value Index	1,820.35	-0.20%
Russell 2000 Small Cap Index	1,957.62	-9.39%
MSCI EAFE Index	2,020.74	9.70%
US 10 Year Treasury Yield	4.31%	-27 basis points
WTI Crude Oil	$59.60	-18.6%
Gold $/Oz.	$3,249.70	24.3%

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