

Beacon Weekly Investment Insights

Major large cap equity indices like the Dow Jones Industrial Average, the S&P 500 and the NASDAQ Composite all closed the market week ending July 9th once again at record levels. On the surface, it seemed like quite a dull, holiday shortened summer week as the Dow gained 0.2% while the S&P and NASDAQ each gained 0.4%. However, beneath the surface, it was quite the turbulent week. Concerns over COVID 19 variants which would pressure the global reopening thesis weighed on investor sentiment. An example here is the unfortunate news that local spectators will no longer be allowed to attend the Olympic Games, which start next Friday, as Japan declared a state of emergency due to COVID.

Additionally, the large ransomware attacks that appear to emanate from Russia, continue to attack companies around the world. New regulatory pressure from the government of China focused on tech companies and their US listings, created “ripple-effect” concerns throughout the market. These examples highlight some of the geopolitical concerns that led to slight declines in the more economically sensitive indices for mid and small cap stocks for the week.

Most attention was focused on the US 10-Year Treasury yield that moved dramatically during the week, at one point declining slightly through 1.25% before ending the week at 1.35%, down 7 basis points from the previous week. For most of the year thus far, we have talked about interest rates moving higher to reflect the economic reopening and strong expansion in GDP along with the associated increase in inflationary pressures. Investors, mainly institutional, that participate in the US Treasury market seem to have become comfortable with the Federal Reserve’s outlook that inflation pressures will moderate as we progress through the year with very little negative effect on economic growth. The Beacon Trust outlook is consistent with this as well.

Economic data released last week continue to support the case for a robust environment for the second half of the year. Both ISM Manufacturing survey and the ISM Services survey continue to signal robust expansion with readings of 60.6 and 60.1 respectively (survey readings over 50 indicate expansion). While down slightly from May’s numbers, issues with hiring and supply chain constraints were reported as being factors for the slight decline in June.

Finally, a survey on job openings, JOLTS (Job Openings and Labor Turnover Survey) revealed a record 9.21 million job openings in May even as the US unemployment rate ticked up in June to 5.9%. This is just one indicator for the demand for labor as the US economy reopens.

We highlight for the week ahead, the beginning of second quarter earnings season with reports from JP Morgan and Goldman Sachs before the market open on Tuesday. It is a financial heavy week for reporting so we will have additional reports from Morgan Stanley, Bank of America, Citigroup, US Bancorp, Bank of New York, Wells Fargo, Blackrock, and Charles Schwab. Non-financials such as Delta Airlines, United Health Group, Pepsico, and Kansas City Southern Railroad will also report to highlight a few.

An important week for economic data as Tuesday, we see the Bureau of Labor Statistics releasing the Consumer Price Index (CPI) for June and Core CPI, followed on Wednesday by the Producer Price Index (PPI) and Core PPI. Also on Wednesday, the Federal Reserve releases its Beige Book which indicates anecdotal economic activity within the 12 regions across the US. Friday finishes the week with University of Michigan’s consumer sentiment survey along with the Census Bureau’s report on retail sales.

Market Scorecard:	7/9/2021	YTD Price Change
Dow Jones Industrial Average	34,870.16	13.93%
S&P 500 Index	4,369.55	16.33%
NASDAQ Composite	14,701.92	14.07%
Russell 1000 Growth Index	2,797.68	15.32%
Russell 1000 Value Index	1,573.13	16.85%
Russell 2000 Small Cap Index	2,280.01	15.45%
MSCI EAFE Index	2,313.37	7.72%
US 10 Year Treasury Yield	1.36%	45 basis points
WTI Crude Oil	\$74.56	53.67%
Gold \$/Oz.	\$1,808.32	(4.74%)

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

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