

Beacon Weekly Investment Insights

The most important economic news of last week was certainly the pair of hot inflation reports. Producer prices increased by 8.6% from a year ago in October, which was the highest annual rate ever going back 11 years to the inception of the wholesale price index. Core producer prices, which strips out the volatile food and energy prices, rose 6.2% over the past year. Consumer prices hit a 31 year high, jumping 6.2% in October from a year ago. Core consumer prices increased by 4.6%, fastest since 1991.

Signs of inflation are everywhere; gasoline, groceries, rents, used cars, etc. Broadening in inflation pressures adds to concerns that price increases may not be as transient as the Federal Reserve initially thought. Nonetheless, Fed officials expect the cause of high inflation, pandemic-driven surge in demand combined with supply chain shortages, to ease and inflationary pressures to come down over the next year.

Despite escalating and stickier inflation, the Fed has not signaled any interest rate hikes, although the futures markets price in at least two rate hikes in 2022. The central bank will begin reducing the amount of Treasury and mortgage-backed bonds it purchases over the next few weeks, a sign of becoming less dovish, although the monetary policy is still considered very accommodative by historical standards.

In what may be a harbinger of what's to come in U.S. holiday shopping season, the tone of the world's largest annual shopping event, Alibaba's " Singles Day " in China, was more cautious than in prior years. Sharp increase in inflation, increased regulations, manufacturing and other logistics problems dampened the sentiment this year for the event that typically generates more revenue for businesses than Black Friday and Cyber Monday combined. Despite all the worries, the shopping event still set a record with \$140 billion of sales, although the year-over-year sales growth slowed down.

In other economic news, initial weekly jobless claims dropped to 267,000, a fresh pandemic-era low. University of Michigan's consumer sentiment index showed a drop in sentiment to a multi-year low as surging inflation outweighed job growth and growing paychecks.

Rivian Automotive, an electric vehicle automaker that became the first company to start manufacturing fully electric pickup trucks, had an initial public offering (IPO) last week that ultimately valued the company at \$110 billion, far in excess of Ford (currently valued at \$78 billion) and GM (currently valued at \$92 billion), both founded over 100 years ago. The massive investor demand for Rivian shares is a reflection of the enormous potential of the electric vehicle industry, rather than a bid to participate in Rivian's current revenue stream, which is a paltry \$1 million in the latest quarter.

News coming out of the healthcare sector continues to be positive as more than a million young kids ages 5 to 11 received their first doses of the Pfizer Covid-19 vaccine since it was authorized two weeks ago. Pfizer also asked FDA to approve its Covid booster shots for all adults, regardless of age and health status. The combination of these developments could finally get the country closer the end of the pandemic.

Equity markets finished the week lower after the hot inflation reports mid-week, although they have recovered their losses somewhat toward the end of the week. S&P 500 finished the week down only 0.3%, Dow Jones Industrial Average fell 0.6%, and the Nasdaq Composite dropped by 0.7% on the week. Despite the week's losses, all three equity indices are near their all-time highs.

This week we will be watching the retail sales and industrial production numbers on Tuesday, housing starts on Wednesday, and the leading economic indicators report on Thursday to affirm the strength of the U.S. economy. Earnings reports from large retailers such as Walmart, Target, Home Depot, Lowe's, Macy's and Kohl's, who will all report this week, will provide a glimpse into the latest spending patterns of consumers as well as what the retailers expect heading into the holiday shopping season. Our eyes will also be on the virtual summit between President Biden and President Xi where international trade, cybersecurity, climate change, Taiwan and human rights will likely be on the agenda in the first "face-to-face" meeting between the top leaders of the two economic powers.

Market Scorecard:	11/12/2021	YTD Price Change
Dow Jones Industrial Average	36,100.31	17.95%
S&P 500 Index	4,682.85	24.67%
NASDAQ Composite	15,860.96	23.06%
Russell 1000 Growth Index	3,053.06	25.76%
Russell 1000 Value Index	1,643.00	21.74%
Russell 2000 Small Cap Index	2,411.78	22.12%
MSCI EAFE Index	2,364.20	10.09%
US 10 Year Treasury Yield	1.57	65 basis points
WTI Crude Oil	\$80.79	66.51%
Gold \$/Oz.	\$1,868.50	(1.30%)

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