Beacon Trust
INNOVATING WEALTH STRATEGY

October 24, 2023

Beacon Weekly Investment Insights

Interest rates were the primary focus of the financial market's last week. The benchmark 10 Year US Treasury Note's yield rose 30 basis points to finish the week at 4.92%, the highest level since 2007. Fed Chair Jay Powell, in a speech at the Economics Club of New York reiterated the mantra that interest rates will need to remain higher for longer in an effort to tame inflation down to their stated target level of 2%. With that said, market participants expect no movement in the current Fed Funds rate range of 5.25%-5.50% at the next Open Market Committee meeting on October 31, concluding on November 1.

With the rise in rates, conflict in the Middle East, and the stalemate surrounding appointing a Speaker of the US House of Representatives, equity markets fell across the board for the week. The NASDAQ 100 experienced a decline of 3.1%, led by softness in technology and consumer sectors. The S&P 500 and Dow Jones Industrials also fell 2.4% and 1.6% respectively.

Part of the reason yields have risen can be attributable to the continued resilience of the US economy. Last week, retail sales rose a robust 0.7% in September, more than twice the level anticipated. Gains for the prior two months were also revised higher. This resilience in consumer spending will most likely propel Thursday's first release of third quarter GDP to 4.0% or higher. Additionally, the labor market continues to be tight with weekly jobless claims falling to just under 200K last week.

One segment of the economy, however, showing signs of weakness is housing. Existing home sales reported last week were down to 3.96 million in September down from 4.68 million last year at this time. While housing remains in high demand, the rapid rise in mortgage rates to about 8% for a conventional 30-year, has created a slowdown in transactions. Pricing remains firm however in most regions because of a lack of inventory. Many homeowners took advantage over the years to refinance existing loan at much lower rates which lowers their incentive to move at the current time. The report revealed only 1.13 million homes on the market in September, the fewest for any September since data has been reported.

Leading Indicators for economic activity in September declined for the 18th consecutive month. The Conference Board's measure showed declines in forward looking components like ISM New orders and building permits, while interest rate spreads and equity prices also contributed to the monthly decline.

Corporate earning season has just kicked off with less than 20% of the S&P index having reported. Thus far, financial companies have had the most reports and have on average reported profits up 4.5% with revenue growth above 7%. The next two weeks will be much busier in terms of reports led this week by large tech firms such as Microsoft, Alphabet (Google), and Meta Platforms (Facebook).

Economically this week will have a flurry of economic releases as well. We will see regional activity from Chicago, Richmond, Philadelphia, and Kansas City spread throughout the week. Wednesday New Home Sales are reported along with mortgage application data. Thursday is the first release of 3Q GDP along with personal consumption, inventories, and the durable goods orders. Friday, the Fed's preferred inflation measure, PCE is released along with the University of Michigan Sentiment index.

Market Scorecard:	10/20/2023	YTD Price Change
Dow Jones Industrial Average	33,127.28	-0.06%
S&P 500 Index	4,224.16	10.02%
NASDAQ Composite	12,983.81	24.05%
Russell 1000 Growth Index	2,662.38	23.36%
Russell 1000 Value Index	1,452.65	-2.97%
Russell 2000 Small Cap Index	1,680.79	-5.24%
MSCI EAFE Index	1,960.40	0.85%
US 10 Year Treasury Yield	4.92%	103 basis points
WTI Crude Oil	$88.08	9.74%
Gold $/Oz.	$1,981.40	8.63%

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