

Beacon Weekly Investment Insights

The near month-long rally for the S&P 500 paused last week with the index declining a modest 0.7%. Earnings season has largely finished, but there were some important earnings reports released last week. Walmart exceeded expectations and its stock increased 8.6% last week, largely on the strength of its groceries business. Its CEO noted an increase in more affluent customers shopping at the discount retailer, as consumers across the income spectrum look to cut expenses while still grappling with elevated inflation. In contrast, Target fell 6% over the course of the week after delivering a weaker than expected earnings report. Although Target sells groceries, it is reliant to a greater extent than Walmart on sales of clothing and housewares. A reading of the earnings tea leaves from these two bellwethers suggests consumers tightening their proverbial economic belts, focusing on essential, non-discretionary spending.

Long-term interest rates continued to drift lower, with the benchmark 10 Year U.S. Treasury Note ending the week with a yield of 3.8%, down from its multi-year high of 4.2% just two weeks earlier. With short-term interest rates now solidly above long-term rates, the yield curve is clearly inverted, often a harbinger of a future recession. Speaking of recessions, the Conference Board's Leading Economic Index (LEI) fell for the 8th consecutive month, another precursor for a recession.

The fallout from the bankruptcy of cryptocurrency firm, FTX, continues. Its new CEO, ultimately brought on to wind down the firm in an unobtrusive manner, said the firm's accounting controls were the worst he has seen in his 40 year career, which included the liquidation of Enron. Fortunately, the turmoil in the cryptocurrency universe has not spread materially to mainstream markets, although the prospect of increased financial regulation remains high.

The biggest sporting event in the world, The World Cup, is now underway in Qatar. The World Cup is the equivalent of the global Super Bowl for soccer and occurs once every 4 years. The event is usually held in the summer but is occurring in late November to have a more temperate climate for the players and tourists. Qatar is known more for their oil and gas exports rather than tourism, so it is hoping that holding one of world's premier sporting events will jumpstart its travel and leisure industry. Speaking of oil, it continued to fall in price, dropping 5.6% last week at \$80.20 a barrel.

The economic calendar is light this week due to the Thanksgiving Holiday, with Wednesday being the most active day for reports. Durable Goods Orders will be released on Wednesday, which provides an estimate of "big ticket" spending items, such as cars, washing machines, and TVs, which often falter during recessionary periods. The University of Michigan will finalize their Consumer Sentiment on Wednesday, which is expected to remain low despite an uptick over the past few months.

The minutes from the most recent Federal Reserve Federal Open Market (FOMC) Committee meeting will also be released on Wednesday. The minutes often provide details that move markets since the summary statement released after FOMC meetings usually is very brief. Black Friday, the first day after Thanksgiving, will officially kickoff the holiday shopping season. It will provide yet another sign of consumer confidence and the health of the retail economy.

Market Scorecard:	11/18/2022	YTD Price Change
Dow Jones Industrial Average	33,745.69	(7.13)%
S&P 500 Index	3,965.34	(16.80)%
NASDAQ Composite	11,146.06	(28.76)%
Russell 1000 Growth Index	2,269.09	(26.21)%
Russell 1000 Value Index	1,521.34	(8.12)%
Russell 2000 Small Cap Index	1,849.73	(17.62)%
MSCI EAFE Index	1,922.38	(17.71)%
US 10 Year Treasury Yield	3.818%	231 basis points
WTI Crude Oil	\$80.11	6.18%
Gold \$/Oz.	\$1,752.00	(4.29)%



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