

## Beacon Weekly Investment Insights

The S&P 500 fell a modest 0.3% in a holiday shortened week. However, this meager drop vastly understates the intraweek volatility. Stocks plunged on Tuesday, the first trading day of the week, after President Trump said it was “an absolute necessity” for the U.S. to acquire Greenland, which of course is part of Denmark. Since Denmark has repeatedly said that Greenland is not for sale, market participants were alarmed since there has never been a major attack by one NATO country against another. However, during the World Economic Forum in Davos, Switzerland, President Trump stated there was “a framework for a deal” which may allow the U.S. to own pockets of land for U.S. military bases on the island.

Gold continued its torrid run, partially on the geopolitical uncertainty and a continued drop in the Japanese Yen, nearly touching \$5,000 per ounce for the first time ever. The shiny metal remains up a robust 15% year-to-date on the heels of a more than a 60% return in 2025. Silver also continued its impressive run, exceeding \$100 per ounce for the first time ever. For many years, Japan was known for its ultra-low interest rates. However, that dynamic has started to change with the yield on its 40-year sovereign bond exceeding 4%. The Yen has been weak partially due to Japan’s massive Debt/GDP ratio, high energy costs, and fears of inflationary fiscal expansion policies.

The Personal Consumption Expenditures (PCE) Index was released last week, which is reportedly the Federal Reserve’s preferred inflation gauge. It showed an annual increase of 2.8%, suggesting that the Fed is unlikely to lower interest rates this week, since this figure remains well above their 2% long-term inflation target. Earnings season is in full swing and some additional company-specific news garnered the attention of market participants. Oracle led a consortium of firms to acquire the U.S. operations of TikTok, after more than a year of negotiations. The battle for Warner Bros. Discovery continues to rage on, with the company rejecting the latest offer from Paramount Skydance, placing Netflix in the driver’s seat to acquire the iconic media firm.

Capital One (COF), a financial firm with strong ties to the credit card industry, released earnings last week. It fell 7.6% on Friday, due in part to uncertainties related to President Trump’s proposal to cap credit card interest rates at 10% for one year. Procter & Gamble (PG) provided mixed quarterly results as consumers continue to struggle with inflation, often shifting to cheaper generic brands. It reported adjusted earnings of \$1.88 per share compared to expectations of \$1.86 per share. However, core gross margin recorded a decline for a fifth straight quarter amid tariff pressures and anemic quarterly sales growth of only 1%.

The earnings calendar is particularly busy this week with some of the key reports listed below:

- Monday: Baker Hughes (BKR) and Nucor (NUE)
- Tuesday: UnitedHealth Group (UNH), Boeing (BA), and General Motors (GM)
- Wednesday: Meta Platforms / Facebook (META), Microsoft (MSFT), and Tesla (TSLA)
- Thursday: Apple (AAPL), Visa (V), and Lockheed Martin (LMT)
- Friday: Exxon Mobil (XOM) and Verizon (VZ)

The economic calendar is also busy this week. Of course, the highlight will be on Wednesday when we hear the latest results from the Federal Open Market Committee (FOMC) meeting. There is roughly a 95% chance that the Fed will keep short-term interest rates where they currently are, but investors are very interested in the outlook for the likelihood of future rate cuts. Subsequent to FOMC meetings we often see Fed Governors on the speaker circuit providing a bit more color on the economy. St. Louis Fed President Alberto Musalem and Fed Vice Chair for Supervision, Michelle Bowman, will both be speaking on Friday.

On Monday, the Durable Goods Report will be released, which is a measure of "big ticket" or long-term items. On Tuesday the Conference Board Consumer Confidence Index will be released. Both reports provide a pulse on important aspects of economic activity and resilience. On Thursday, the Initial Jobless Claims Report will be released, and it often feeds into the more widely followed Bureau of Labor Statistics (BLS) Monthly Employment Report. Also on Thursday, the U.S. Trade Deficit Report will be released, and it is closely followed by analysts given the Trump Administration's focus on decreasing the trade deficit.

On Friday the Producer Price Index (PPI) Report will be released. The report has been delayed due to the recent federal government shutdown, but it provides a measure of wholesale inflation and is especially influenced by commodity prices. Of course, a major winter storm occurred over much of the U.S. as the week started, with its implications yet to be determined. We hope everyone remains safe and sound throughout the year as the first month comes to a frigid close.

Market Scorecard:	1/23/2025	YTD Price Change
Dow Jones Industrial Average	\$49,098.71	2.15%
S&P 500 Index	\$6,915.61	1.02%
NASDAQ Composite	\$23,501.24	1.12%
Russell 1000 Growth Index	\$4,713.95	-1.06%
Russell 1000 Value Index	\$2,150.17	3.79%
sRussell 2000 Small Cap Index	\$2,669.16	7.54%
MSCI EAFE Index	\$2,995.99	3.57%
US 10 Year Treasury Yield	4.239%	-8 basis points
WTI Crude Oil	\$61.28	6.78%
Gold \$/Oz.	\$4,983.10	15.02%

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