

Beacon Weekly Investment Insights

As economic data remains relatively scarce with scheduled reports such as U.S. Retail Sales and PPI (producer price inflation) not being released last week due to the on-going government shutdown, the primary focus was on the kick-off of the 3rd quarter earnings season with the large money-center banks including the likes of JP Morgan, Citibank, Wells Fargo, Morgan Stanley and Bank of America all reporting results. Broadly speaking, bank earnings came in better than expected. Strength in the outlook for net interest income alongside strong trading and investment banking revenues were common themes, with a continued pick-up in capital markets and M&A activity. More tariff-related headlines also drove volatility as President Trump threatened 100% tariffs on China, which were subsequently walked back in relatively short order and followed by comments that trade talks with China were back on track at the end of last week. There have also been some concerns about credit risk subsequent to the bankruptcies of subprime auto lender and dealership Tricolor as well as auto parts maker First Brands, with J.P. Morgan CEO Jamie Dimon noting the possibility of other credit problems in the economy. Markets ultimately bounced back last week as the threat of 100% tariffs on China were walked back, and strong bank earnings helped to allay fears in terms of potential further credit issues. The S&P 500 closed last week up 1.70%, with the Dow up 1.56%, and the Nasdaq up 2.14%. The 10-yr treasury yield moved down for the week from 4.05% to 4.00% with gold continuing its ascent, up 5.3% to \$4,189/ounce to close out the week.

Although we are still early on with only about 12% of companies in the S&P 500 having reported, earnings have broadly come in better than expectations to this point. Thus far, aggregate earnings growth is 8.5% which is ahead of expectations for just shy of 8% growth headed into the quarter, and 86% of companies have beaten earnings expectations. The next few weeks will see over half of S&P 500 companies report, including the closely watched mega-cap tech companies. We will continue to keep you updated on this front as earnings season progresses.

There was a fair amount of Fed speak last week as well, which ultimately didn't alter expectations for two more 0.25% rate cuts through the end of the year. In his comments last week at the National Association for Business Economics Meeting, Chair Powell said that the outlook for inflation and employment has not changed much since September. He also hinted that quantitative tightening (policy in which the central bank reduces the size of its balance sheet by selling assets or letting assets mature without reinvesting) could potentially end earlier than expected, amid some signs that liquidity conditions are gradually tightening.

The debate around the sustainability and valuations of companies prominently involved in the AI trade also continues to be front and center for markets. We continue to focus on companies that have above average profitability and free cash flow metrics, strong balance sheets, and that we believe have sustainable growth drivers over the long-term, with an eye on managing risk in terms of the weightings we own in the mega-cap tech companies that have driven the AI trade.

The September CPI report is scheduled to be released at the end of the week despite the shutdown, given its importance in calculating the annual Social Security cost-of-living adjustment. Existing home sales data will be released on Thursday, with flash S&P global PMI's and the final read for the October University of Michigan consumer sentiment report also due out on Friday. All attention will subsequently turn to the October Fed meeting next week. As mentioned, expectations are firmly for a 0.25% rate cut, and investors will be listening closely to comments on possible further easing of monetary policy.

Market Scorecard:	10/17/2025	YTD Price Change
Dow Jones Industrial Average	\$46,190.61	8.57%
S&P 500 Index	\$6,664.01	13.30%
NASDAQ Composite	\$22,679.97	17.45%
Russell 1000 Growth Index	\$4,703.29	16.35%
Russell 1000 Value Index	\$1,995.66	9.41%
Russell 2000 Small Cap Index	\$2,452.17	9.95%
MSCI EAFE Index	\$2,776.37	22.75%
US 10 Year Treasury Yield	4.00%	-57 basis points
WTI Crude Oil	\$57.54	-19.77%
Gold \$/Oz.	\$4,189.90	58.65%

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