Beacon Trust
INNOVATING WEALTH STRATEGY

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Beacon Weekly Investment Insights

The S&P 500 slipped roughly 0.5% last week, amidst investor enthusiasm for the first official trade deal between the U.S. and the United Kingdom, with the promise of many more deals to follow. The all-important trade negotiations between China and the U.S. kicked off near the end of last week in Geneva. An apparent trade deal was reached on Sunday, resulting in a surge in equity prices on Monday morning, but given the complexity of the relationship, it may take a while for a formal, comprehensive agreement to take place.

In addition to the trade negotiations, investors closely watched last week's Federal Reserve Open Market Committee (FOMC) meeting. As expected, the Fed held short-term rates constant in the 4.25%-4.50% range. Fed Chair, Jay Powell, also signaled that the Fed was in no rush to reduce rates, given the tariff uncertainty and relatively strong employment market. Hence, investors are now assessing the highest probability of the first rate cut occurring in July instead of June. The Institute for Supply Chain Management (ISM) released its services report, which projected modest expansion, providing further support for the Fed's decision to remain on hold.

After approaching bear market territory roughly one month ago, the S&P 500 was down less than 4% year-to-date (YTD) as of Friday's close, with the losses trimmed further by Monday's advance. Patience in many areas of life, including investing, is usually a virtue. Part of the reason for the market snapback is relatively good earnings reports, despite the tariff uncertainty. Eighty-six percent of companies in the S&P 500 have reported Q1 earnings, with the average firm exceeding estimates by 8.2% according to Business Insider. Berkshire Hathaway reported earnings last weekend. The firm announced a drop in operating earnings, but the major announcement related to Warren Buffett's decision to step down as CEO at the end of this year after an incredible 60+ year run. Disney reported solid earnings and announced plans for its first theme park in the Middle East, in Abu Dhabi. Ford, like many firms, withdrew forward guidance on earnings due to the tariff uncertainty.

The economic calendar is fairly active this week. As usual, several Federal Reserve governors will be on the speaker circuit this week, following last week's FOMC meeting. The highlight will likely be on Thursday, when Chair Powell addresses an economic conference in Washington, D.C. Perhaps the most important economic report this week will occur on Tuesday when the latest inflation data is released. Investors are expecting the Consumer Price Index (CPI) to fall to 2.3% this month, on the heels of last month's 2.4% reading. The falling price of gasoline has been among the reasons for the declining inflation numbers, with the average price of regular gasoline at $3.14 per gallon across the U.S.. The Producer Price Index (PPI) report, a measure of wholesale inflation that is primarily driven by commodity prices, will be released on Thursday. Its levels have declined in recent months, similar to those of the CPI.

Two additional economic reports will be released on Thursday, Retail Sales and Industrial Production. Investors will closely examine the Retail Sales report given that the consumer comprises roughly 70% of U.S. GDP and the recent dour levels of consumer sentiment. The Industrial Production report will provide some insight into the manufacturing sector of the economy, which is perhaps most directly affected by the ongoing trade negotiations with China. Two reports on the housing market will be released this week. The Housing Starts and Builder Permits reports will both be released on Thursday. The housing market has continued to be somewhat sluggish amidst a backdrop of relatively high mortgage rates and low levels of consumer confidence. Speaking of confidence, we close our weekly writing with the mention of two sentiment-related reports. On Tuesday the NFIB Optimism Index, a measure of small business confidence, will be released. Small businesses usually account for the majority of new job hires, so it may have implications for the unemployment rate. On Friday, the University of Michigan will release its Consumer Sentiment Index (CSI). The rebound in stock prices and some progress on trade talks may indicate that CSI has continued its upturn after recently plummeting to multi-year lows.

Market Scorecard:	05/9/2025	YTD Price Change
Dow Jones Industrial Average	41,249.38	-3.04%
S&P 500 Index	5,659.91	-3.77%
NASDAQ Composite	17,928.92	-7.16%
Russell 1000 Growth Index	3,774.44	-6.63%
Russell 1000 Value Index	1,819.69	-0.23%
Russell 2000 Small Cap Index	2,023.07	-9.29%
MSCI EAFE Index	2,530.21	11.87%
US 10 Year Treasury Yield	4.375%	-20 basis points
WTI Crude Oil	$61.06	-15.04
Gold $/Oz.	$3,329.10	26.14%

BeaconTrust 163 Madison Avenue, Suite 600 | Morristown, NJ 07960 | 973.377.8090 | BeaconTrust.com