

Beacon Weekly Investment Insights

The shortened holiday week last week saw equity indices again mostly positive, with the exception of the Nasdaq. The S&P 500 finished the week up 0.39%, closing out a fifth straight month of gains. The Dow Jones Industrial Average was up 0.84%, and the tech-heavy Nasdaq was down slightly by -0.30%. Notably, last week also saw strong outperformance from small-caps, with the Russell 2000 Index up 2.54%. The S&P 500 closed out the quarter with a second straight double-digit quarterly return, up 10.16% for the first quarter, which was the best performance to start a year since 2019. This was despite a meaningful back-up in yields with the 10-year treasury yield up 0.40% to 4.20% to close the quarter, as a broader disinflationary trend, expectations for the Fed to cut interest rates, a resilient economy, positive earnings growth expectations, and a broadening out in participation (as evidenced at the sector level in the S&P 500 and by outperformance in small-caps recently) in the rally all served as tailwinds for equity markets. Also notably, gold was up 8% in the first quarter after posting an 11% return in the prior quarter, and WTI crude oil was up a little over 16% for the quarter.

The shortened week didn't produce too much in the way of additional catalyst outside of the broader backdrop mentioned above. New home sales were released last Monday, which came in at a lower than expected 662,000 relative to estimates for 675,000. The figure was down slightly from the previous month, in which new homes sales were 664,000 as mortgage rates moved up slightly. The S&P Case Shiller Home Price Index showed a continued increase in home prices, which were up 6.6% in January, after a 6.1% increase in the prior month. In addition, the 2nd revision to fourth quarter GDP was released, which showed the economy growing at a 3.4% pace, above expectations for 3.2% growth. Durable goods orders for February were also released, increasing by a larger than expected 1.4%, after two months of consecutive drops. Consumer spending also showed a rebound, up 0.8% in February, relative to expectations for a 0.5% increase, and up meaningfully from the prior month's 0.2% increase.

The most consequential economic report was released on Friday, while markets were closed. The Core PCE report (the Fed's preferred measure of inflation) was released on Friday, showing a 0.3% increase in inflation for February, which was in line with expectations and what Chair Powell guided for at the March 20th press conference on the Fed's interest rate decision. The reading was down from the prior month's 0.5% increase. The Core PCE increased 2.8% year-over-year, down from the prior 2.9% figure. At the headline level (includes food and energy prices, whereas Core PCE excludes them), the PCE index came in lower than expected, increasing 0.3% in February relative to expectations for a 0.4% increase. The year-over-year figure for PCE came in as expected, up 2.5%. The report broadly reaffirms a disinflationary trend, although inflation remains stubbornly above the Fed's 2% target, and likely keeps a rate cut in June on the table.

Looking ahead, the market will begin to turn its focus towards earnings for the first quarter, with the big banks starting to report earnings next week. Expectations for aggregate S&P 500 earnings growth for the first quarter currently stand at 3.6%, down from expectations for 5.8% growth heading into the year. Ultimately, the backdrop from an earnings perspective remains constructive as far as expectations going forward, with current estimates for earnings growth for full year 2024 at 11%.

From an economic data perspective, ISM Manufacturing and Services Index data are due out on Monday and Wednesday, respectively. Job openings (Tuesday) and ADP employment data (Wednesday) are also on the docket. The primary focus from an economic data perspective will be on the U.S. nonfarm payrolls report, which is due out on Friday and will be watched closely by market participants as well as the Fed.

Market Scorecard:	3/29/2024	YTD Price Change
Dow Jones Industrial Average	39,807.37	5.62%
S&P 500 Index	5,254.35	10.16%
NASDAQ Composite	16,379.46	9.11%
Russell 1000 Growth Index	3,393.86	11.21%
Russell 1000 Value Index	1,765.86	8.37%
Russell 2000 Small Cap Index	2,124.55	4.81%
MSCI EAFE Index	2,349.41	5.06%
US 10 Year Treasury Yield	4.21%	33 basis points
WTI Crude Oil	\$83.17	16.08%
Gold \$/Oz.	\$2,238.40	8.04%

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