

Beacon Weekly Investment Insights

Investors and markets seemed to be a bit distracted this past week by the ongoing negotiations to end the Russia/Ukraine conflict and the annual Jackson Hole symposium, where many expected Chair Powell to shed light on the much-anticipated commencement of a lower rate cycle in September.

On the heels of the Alaska summit between Presidents Trump and Putin, many European leaders, and Ukraine supporters, along with Zelensky gathered in Washington Monday to strategize a way forward towards peace in the region. The result was not the hoped for immediate cease fire. Instead, the President announced he would broker a meeting initially between Putin and Zelensky, followed closely by a tri-lateral gathering including Trump. The initial response to this proposal from Russian officials was less supportive of an imminent meeting; so the aggressive behavior continues with no immediate end in sight. Other developments were Secretary of State Rubio drafting a security agreement for Ukraine that would most likely include that any future attack on Ukraine (a non-NATO member) would be viewed as an attack on NATO broadly, resulting in a coordinated response. Ironically Russia believes they should have input into the agreement. Ukraine also offered to purchase \$100 billion in U.S. weapons as a part of a deal for security guarantees. Clearly this remains a fluid discussion that will most likely come down to the willingness of Ukraine to give up territory to Russia which Zelensky has, to date, refused to accept in return for security against future invasions.

Jerome Powell presided over his final meeting in Wyoming, where his remarks leaned more towards a dovish approach to lower interest rates. He acknowledged that labor markets had softened stating “downside risk to employment are rising” but inflation still exceeded their target, and the uncertainty of tariffs exist but the “economic outlook may warrant some change.” It wasn’t a promise, but good enough for the markets, which immediately rose 2%. The probability of rate cuts beginning in September has been bumpy. A week ago, it stood at 85% only to be lowered pre- Powell’s comments to 70% then shot up to 89% post his speech. Without a doubt this week’s PCE report will influence their path forward, but for now September rate cuts appear increasingly likely. For the week, the DJIA rose 1.53%, the S&P 500 0.27%, the Nasdaq declined 0.58% and the Russell 2000(the small cap proxy) the clear winner rising 3.30%. All sectors, except for Telecom and Tech, exceeded the market return of 0.27%, evidencing a further broadening out.

The Jackson Hole event wasn’t without another distraction, that being the allegation that FOMC member Lisa Cook, claimed two homes as her primary residence more than a decade ago, which, if true, is considered mortgage fraud. To be clear, Lisa Cook has not been charged but that hasn’t stopped the President’s threat of firing her if she does not resign, which she refuses to do. The significance of all this is that, if she is charged and found guilty - or fired for cause - President Trump will potentially have four seats open for his appointments. This would clearly enhance the probability of a more dovish FOMC and further call into question the Fed’s independence.

On the economic front, housing starts increased 5.2% month-over-month in July to a seasonally adjusted annual rate of 1.428 million units (consensus 1.311 million), dominated by strength in multi-family & rentals. Building permits decreased 2.9% month-over-month to a seasonally adjusted annual rate of 1.354 million (consensus 1.390 million). The MBA Mortgage Applications Index for the week ended August 16 decreased by -1.4%, down from a prior increase of 10.9%.

Initial jobless claims for the week ending August 16 increased by 11,000 to 235,000 (consensus: 222,000). Continuing jobless claims for the week ending August 9 increased by 30,000 to 1.972 million, which is the highest level since November 6, 2021. The key takeaway from the report is that it covers the period in which the survey for the August employment report is completed. The jump in initial and continuing claims is apt to keep economists’ nonfarm payroll estimates in a soft growth zone.

Separately, the Philadelphia Manufacturing Business Outlook Survey dropped to -0.3 in August (consensus: 9.0) from 15.9 in July, while the indexes for prices paid (66.8 from 58.8) and prices received (36.1 from 34.8) both went up versus July. The dividing line between expansion and contraction for this survey is 0.0. The overall number, then, reflects a contraction in activity versus the prior month, while the price indexes denote an acceleration in price increases.

As the 2Q earnings season ends, results were considerably better than anticipated. EPS beats increased while sales beats rocketed. Earnings beats were at 81% (vs 78% in 1Q25), while sales beats catapulted to 82% (from 66% in 1Q25). EPS beats have been led by tech hardware, software, telecom, and high performance computing, while laggards include materials, media, and discretionary retail. Banks were the biggest improver vs 1Q25, with beats at 93%. More importantly, the beats were followed by strong upgrades, the strongest in three years.

The upcoming week has lots of macro data for the markets to digest, beginning with new home sales, durable goods and consumer confidence. Initial claims, pending home sales, personal income and U of M consumer confidence will round out the week with PCE, the Feds preferred inflation gauge, out Friday.

Nvidia will post results this week, which could either add support to continued market strength or extinguish the momentum.

Market Scorecard:	8/22/2025	YTD Price Change
Dow Jones Industrial Average	46,631.74	7.26%
S&P 500 Index	6,466.91	9.95%
NASDAQ Composite	21,496.53	11.32%
Russell 1000 Growth Index	4,480.08	10.83%
Russell 1000 Value Index	1,982.44	8.69%
Russell 2000 Small Cap Index	2,361.95	5.91%
MSCI EAFE Index	2,755.49	21.92%
US 10 Year Treasury Yield	4.33%	-25 basis points
WTI Crude Oil	\$63.88	-11.42
Gold \$/Oz.	\$3,374.40	28.13%



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