

Beacon Weekly Investment Insights

The S&P 500 increased 1.5% last week, exceeding the 6,000 level for the first time since February 26th. However, perhaps the most discussed news last week by financial market participants was decidedly non-financial in nature. The “bromance” between President Trump and Elon Musk screeched to a halt last week. The catalyst was Musk’s criticism of President Trump’s tax cut bill that is currently working its way through Congress. Musk, who previously headed the Department of Government Efficiency (DOGE), called the bill a “disgusting abomination” due in part to the likelihood of the bill further increasing the federal deficit and debt. President Trump allegedly called Elon a “big-time drug addict” and threatened to cut the federal subsidies that benefit several of Musk’s companies, such as SpaceX and Tesla. Tesla’s stock ended last week down nearly 15%. The feud simmered down over the weekend, but it seems clear the relationship between the two men will likely never be the same again.

The economic data continues to come in mixed, which we view as signs of a sluggish economy, but not one in recession. The unemployment rate remained steady at 4.2%, and U.S. nonfarm payrolls increased 139,000 last month, versus an expected increase of 130,000 jobs. Hourly wage growth increased 0.4% in May, a solid number suggestive of a somewhat tight labor market. The Institute for Supply Chain Management (ISM) released its forward-looking purchasing managers’ indexes (PMI) last week. Both the manufacturing and services indices had readings less than 50, suggesting mild near-term weakness.

Earnings season is largely completed, but a few noteworthy firms reported last week. Taiwan Semiconductor Manufacturing Corporation (TSMC), the largest computer chip manufacturer in the world, had a solid quarter, citing continued strong demand for chips that power artificial intelligence (AI) applications. Broadcom, a seller of a diverse portfolio of computer chips, reached a record high after a strong earnings report. Speaking of AI chips, Nvidia regained the title of the world’s most valuable company last week, surpassing Microsoft. Dollar General reported solid earnings as the discount retail store attracted more affluent shoppers. The stock rose almost 17% last week. Lululemon, a maker of high-end athleisure clothing, moved in the opposite direction, falling more than 16% last week on disappointing earnings.

Geopolitically, the U.S. and China agreed to further trade talks, which partially sparked the market’s rally last week. However, the U.S. angered several foreign trade partners by placing a 50% tariff on steel imports. The war between Russia and Ukraine intensified last week after Ukraine surprisingly destroyed a significant number of Russian fighter planes, the result of a crafty plan that was more than a year in the making. Russia retaliated with several attacks across a number of Ukrainian cities. Although the U.S. continues to try to broker a cease-fire agreement, a quick resolution to the conflict seems unlikely.

The economic calendar is fairly active this week. Perhaps the most important economic report this week will occur on Wednesday when the latest inflation data is released. Investors are expecting the Consumer Price Index (CPI) to increase to 2.5% this month, on the heels of last month’s 2.3% reading. The U.S. federal budget deficit report will also be released on Wednesday. In prior years this report attracted little fanfare, but President Trump’s focus on tariffs and the efforts of DOGE now make this report a must-read. 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.

Lastly, two sentiment-related reports will be released this week. 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 continued rebound in stock prices and some progress on trade talks may indicate that CSI has resumed its upturn after recently hitting multi-year lows.

| Market Scorecard: | 6/6/2025 | YTD Price Change |
|------------------------------|-----------------|-------------------------|
| Dow Jones Industrial Average | 42,762.87 | 0.51% |
| S&P 500 Index | 6,000.36 | 2.02% |
| NASDAQ Composite | 19,529.95 | 1.13% |
| Russell 1000 Growth Index | 4,101.42 | 1.46% |
| Russell 1000 Value Index | 1,872.43 | 2.66% |
| Russell 2000 Small Cap Index | 2,132.25 | -4.39% |
| MSCI EAFE Index | 2,618.67 | 15.78% |
| US 10 Year Treasury Yield | 4.510% | -6 basis points |
| WTI Crude Oil | \$64.77 | -9.88 |
| Gold \$/Oz. | \$3,333.00 | 26.21% |



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

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