Beacon Trust
INNOVATING WEALTH STRATEGY

April 17, 2023

Beacon Weekly Investment Insights

Stocks continued their winning streak in the early innings of the second quarter, after a strong first quarter which saw the S&P 500 up 7.5%. The S&P 500 finished last week up 0.79%, building on the 1.4% advance in the prior week. The Dow Jones and Nasdaq also logged gains, up 1.19% and 0.29% for the week, respectively. Oil prices also continued to build on recent strength in the wake of the surprise OPEC production cut announcement earlier this month, with WTI Crude closing the week up 2.2% to $82.52/barrel. We also saw a strong move up in 10-year treasury yields, advancing from 3.28% to 3.52% to close the week.

The highly anticipated CPI report was released last Wednesday, which showed inflation continuing to decelerate. Headline CPI increased just 0.1% in March, decelerating from the 0.4% advance in the prior month, and coming in less than expectations for a 0.2% advance. Energy and used car prices fell, and food prices remained flat. Likewise, the year over year figure came in at 5.0% vs. the prior reading of 6.0%, and less than the 5.1% expected increase. Core CPI, which strips out food and energy prices, increased 0.4% in March which was in-line with expectations, and ticked down slightly from the 0.5% increase in the prior month. The PPI (Producer Price Index) which is a measure of wholesale inflation, also decelerated. Producer prices were down -0.5% for the month of March vs. expectations for a flat reading, with both food and energy prices moving lower. The year over year figure fell sharply to 2.7% from a prior reading of 4.9%. Core PPI moved up slightly by 0.1% in March, vs. expectations for a 0.3% increase and the prior reading of 0.2%. Year over year, Core PPI increased by 3.6%, moderating from the prior reading of 4.5%.

The lower than expected inflation readings, alongside continued concerns over a slowdown in the economy, contributed to a repricing in projections for the Fed Funds rate last week. U.S. Treasury Secretary Janet Yellen also commented last week that banks are likely to become more cautious around lending, which could do some of the Fed's work for it and potentially reduce the need for further rate hikes. Fed Funds Futures are currently pricing in one more 0.25% rate hike at the next Fed meeting in May, and subsequently projecting two rates cut by the end of the year. This would have the Fed Funds rate top out in the 5.0%-5.25% range, and come down to the 4.50%-4.75% range by year end if current expectations matriculate. Minutes for the Fed's meeting in March were also released last week. The minutes detailed that some Fed members considered whether it would be appropriate to pause rate hikes amidst the stress in the banking sector and concerns over the economy tipping into recession, however the decision was ultimately made that a rate hike was necessary to combat still elevated levels of inflation relative to the Fed's 2% target.

Earnings season kicked off meaningfully last week, with widely anticipated earnings reports from several of the big banks having been released. Investors will continue to watch bank earnings reports closely for any signs of further potential impacts from the recent turmoil in the regional banking sector. First quarter reports that showed strong growth in revenues and profitability and that were generally better than expected from the likes of J.P. Morgan, Wells Fargo, Citigroup, and PNC, helped to somewhat alleviate concerns over the banking sector for the time-being. J.P. Morgan which is owned in Beacon's equity strategies for instance, reported a strong surge in profitability, alongside 25% revenue growth. As the largest bank in the nation, J.P. Morgan was able to garner deposits amidst the turmoil, with deposits growing 1.5% for the first quarter and taking in $50 billion in deposits in the month of March. Higher interest rates are also serving to significantly bolster the bank's net interest income. The stock responded positively to the report, closing up 7% on the day. We will continue to closely monitor bank earnings reports as the earnings season continues.

We continue to believe that investing in well-diversified portfolios with exposure to high quality businesses that have the ability to navigate the current landscape and continue to be successful over the long-term, alongside maintaining sufficient liquidity to meet client needs, is the best way to navigate volatility and keep our clients on track to meet their goals over the long-term.

Economic data on tap for this week includes housing data such as the Home Builder Confidence Index, Housing Starts, Building Permits, and Existing Home Sales. The LEI (Leading Economic Index) report which we follow closely, is also set to be released this week, as are S&P flash readings for U.S. Services and Manufacturing PMI.

Market Scorecard:	**4/14/2023**	**YTD Price Change**
Dow Jones Industrial Average	33,886.47	2.23%
S&P 500 Index	4,137.64	7.77%
NASDAQ Composite	12,458.53	15.83%
Russell 1000 Growth Index	2,458.53	13.92%
Russell 1000 Value Index	1,521.27	1.61%
Russell 2000 Small Cap Index	1,781.15	1.13%
MSCI EAFE Index	2,145.72	10.38%
US 10 Year Treasury Yield	3.52%	-36 basis points
WTI Crude Oil	$82.52	2.82%
Gold $/Oz.	$2,015.80	10.38%