

Beacon Weekly Investment Insights

Stocks had another strong week, with the S&P 500 increasing 1.8% on the heels of its best week since November 2020. The surge over the past two weeks has trimmed the year-to-date losses to a somewhat manageable 4.7%. Just when it seemed like the market was focusing on the fundamentals, political events were thrust back onto the front pages of many newspapers this past weekend. President Biden appeared to escalate a war of words when he said Vladimir Putin “cannot remain in power.” The White House walked back these remarks indicating that President Biden was not talking about a regime change in Russia, but rather NATO’s views that Putin should not be able to dictate events outside of Russia. We continue to hope for peace with talks between Russia and Ukraine scheduled for Tuesday in Turkey, but it seems like Cold War II may be with us and that a speedy resolution seems unlikely.

Several Federal Reserve Governors made the rounds on the speaker circuit last week, preparing market participants for a fresh 50 basis point rate hike in May in the wake of its recent increase of 25 basis points earlier this month. The yield on the benchmark 10-Year Treasury Note continued to increase briefly touching 2.5% last Friday, its highest level since the Spring of 2019. Inflation remains on the minds of investors with surging commodity prices across the board, most noticeably with oil ending the week at roughly \$110 per barrel.

Earnings season has largely ended, but there were a few “off cycle” reports released last week. Nike delivered a positive upside earnings surprise as it noted strong demand for its products and increased traction in sales directly from its website. Uber increased over the course of the week on a deal to list New York City taxis on its widely used app. Okta, a security firm, fell roughly 20% after reporting a hack by Lapsus\$, a criminal ransomware organization.

In recent weeks both Alphabet/Google and Amazon.com announced stock splits, making their eventual inclusion in the Dow Jones Industrial Average a near certainty. In contrast, Warren Buffett has steadfastly refused to split the Class A shares of Berkshire Hathaway and recently watched his firm’s shares exceed \$500,000. Buffett remains quite active, increasing his stake in Occidental Petroleum and announcing a \$11.6 billion acquisition of insurer Allegheny last Monday. It appears the Oracle of Omaha, at age 91, still has a lot left in the tank, backed by his firm’s \$100+ billion war chest.

The economic calendar is fairly active this week as we turn the page from March to April near the end of the week. The S&P/Case-Shiller U.S. National Home Price Index will be released on Tuesday. Housing inventory remains tight and prices remain high, but we will be looking for the possible impact of rising rates on slowing the rate of home price appreciation. The Personal Consumption Expenditures Index, a companion inflation gauge to the CPI, will be released on Thursday. The Institute for Supply Chain Management (ISM) Manufacturing Index will be released on Friday. ISM is a forward-looking indicator so we will be watching it closely for signs that the slowing economy may be slipping perilously close to a recession. Perhaps the most important economic report this week will also be released on Friday, the unemployment report. The consensus estimate is 3.7%, a modest decline from last month’s reading of 3.8%, as more people enter the workforce in a bid to stave off rising inflation.

Market Scorecard:	3/25/2022	YTD Price Change
Dow Jones Industrial Average	34,861.24	(4.06)%
S&P 500 Index	4,543.06	(4.68)%
NASDAQ Composite	14,169.30	(9.43)%
Russell 1000 Growth Index	2,777.49	(9.67)%
Russell 1000 Value Index	1,650.33	(0.33)%
Russell 2000 Small Cap Index	2,077.98	(7.45)%
MSCI EAFE Index	2,156.76	(7.56)%
US 10 Year Treasury Yield	2.492%	98 basis points
WTI Crude Oil	\$112.62	49.26%
Gold \$/Oz.	1,957.60	6.94%

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