

Beacon Weekly Investment Insights

We hope that you had a fantastic holiday season and would like to start by wishing you all a very happy new year! Our team here at Beacon look forward to the privilege of advising you and providing our insights all throughout 2024 and beyond!

Financial markets in general have risen for the nine consecutive weeks ending December 29, 2023. The sentiment guiding markets over this period is that the Federal Reserve would feel comfortable as early as March 2024, to begin lowering interest rates. Inflation has moderated from the 9+% level seen in the summer of 2022, approaching their 2% target. On December 22, the Fed's preferred gauge of inflation, the Personal Consumption Expenditures Index was reported at 2.6% on a year over year basis. Prices declined by 0.1% on a month over month basis, the first decrease since April 2020. This momentum in the financial markets will likely moderate over the short term, however, directionally our view remains consistent with moderating inflation along with a sluggish growth environment. Consumer's led the economy forward in 2023 as the spending trends remained strong. Travel spending was strong as some continued to "revenge spend" after being locked out of some travel during the pandemic. An early read from the holiday spending period was released by Mastercard showed spending during the period from November 1 thru December 24 increasing by 3.1%.

At the close of trading on Friday December 29, on a price return basis, the Dow Industrials rose 13.7%, the S&P500 is up 24.2%, and the NASDAQ Composite is up 43.4%, for the calendar year 2023. During the year, we had written a great deal about the narrowness of the market performance, especially within the S&P 500's "Magnificent 7" leading the charge. However, in the final nine weeks, once the sentiment shifted to potential rate cuts early in 2024, equities began to see a significant broadening in market performance. As an example, since October 27, small cap stocks as measured by the Russell 2000 index rose 23.8% versus the S&P's rise of 15.8%. Sector performance also broadened out during this time period, with Real Estate, Discretionary, and Financials posting the strongest gains. We would hope to see this broadening trend continue as this generally tends to signal a healthier, more sustainable market rally.

Not to be overlooked, the fixed income markets also experienced a major rally. The benchmark 10 Year US Treasury yield peaked for the year on October 19th at 4.99%. For the remainder of the year, the yield declined by 111 basis points (1.11%) to end the year at 3.88%. The inversion of the curve also closed significantly to a spread between the 2 year and 10 year yield of 37 basis points after being more than 100 basis points different during the summer months.

We will begin 2024, with a holiday shortened trading week, however the data release calendar is quite robust. On Tuesday, we will have the S&P Global Manufacturing PMI as a gauge of manufacturing activity, which as you recall for most of 2023 has been in contractionary territory. Wednesday, we have US focused manufacturing with ISM Manufacturing Index and also the release of the FOMC's December meeting minutes. The measure of job openings and labor turnover is revealed with the JOLTS survey. Thursday is the Labor Departments jobless claims along with the S&P Global Services PMI Index. Friday, two important data points, with the ISM Services Index and separately, the unemployment rate for December and the change in non-farm payrolls.

Market Scorecard:	12/29/2023	YTD Price Change
Dow Jones Industrial Average	37,689.54	13.70%
S&P 500 Index	4,769.83	24.23%
NASDAQ Composite	15,011.35	43.42%
Russell 1000 Growth Index	3,051.68	41.40%
Russell 1000 Value Index	1,629.42	8.84%
Russell 2000 Small Cap Index	2,027.07	14.28%
MSCI EAFE Index	2,236.16	15.03%
US 10 Year Treasury Yield	3.88%	0 basis points
WTI Crude Oil	\$71.65	-10.73%
Gold \$/Oz.	\$2,062.98	13.10%



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