

Beacon Weekly Investment Insights

The holiday shortened financial market week ended on Friday with quite muted results. The Dow Jones Industrial Average squeaked out a 0.02% gain, the NASDAQ Composite gained 0.21%, while the S&P 500 index fell 0.15%. US Treasury yields also were quite muted as the benchmark 10-Year Treasury fell 2 basis points to yield 4.38%. The muted overall activity does not at all reflect the variety of economic data points that were released last week but may reflect the overall “uncertain” environment. This uncertainty has been created by unresolved global trade/tariff policy, a budget/tax package being debated within the halls of Senate and the on-going and potentially escalating geopolitical tensions.

The Federal Open Market Committee met last week and voted unanimously to leave short-term interest rates unchanged at a range of 4.25%-4.50%. The central bank members also maintained their median forecast for two rate reductions in the calendar year 2025. Chairman Jay Powell cited concern over the economic impact of tariffs as the main reason for keeping rates unchanged. In their opinion, implementing high tariffs would generate a rise in sustained inflation, pressure economic growth, and cause an increase in unemployment. As you see in the press, President Trump disagrees with the FOMC's assessment and would prefer if the US Central Bank would lower rates immediately. Currently, futures markets are indicating the first rate cut during the September meeting, although on Friday, Fed Governor Christopher Waller expressed his opinion that the Fed should consider a cut as early as July during an interview with CNBC.

From an economic data standpoint, May retail sales figures pointed to a decline of 0.9% from the previous month. Remember, we saw a large increase in sales in the previous months as consumers likely pushed purchases forward in anticipation of price increases due to upcoming tariffs. During the month, seven of the twelve retail sales categories saw declines led by auto sales and spending at restaurants and bars. The Conference Board also released the Leading Economic Index (LEI), which registered a 0.1% decline in May following the decline of 1.4% in April. LEI has read negative for 34 of the past 36 months, however, the economy has remained quite resilient.

Over the weekend came the news of the US military action against three nuclear facilities within Iran. The action clearly elevates anxiety on several different fronts, but a focus in the short run is two-fold. First, will this action create a re-opening incentive for nuclear capability negotiation? As stated earlier, this is uncertain. Second, what if any immediate economic implications can be expected. Energy prices historically spike during these types of tensions, but thus far, the rise has been isolated to last weeks' 2.7% increase in WTI and 3.7% increase in global Brent crude. Attention will focus on the Strait of Hormuz, the only waterway from the Persian Gulf and the open ocean. This strait accounts for roughly 20% of the global oil market and is something Iran has threatened to disrupt in the past as a retaliatory measure. Once again, uncertainty persists.

This week, we will continue to focus on any developments from the geopolitical landscape. From an economic standpoint, the calendar is quite full. Housing data in focus will be existing home sales on Monday followed by new home sales, mortgage applications, and building permit data on Wednesday. Thursday, the final reading of Q1 GDP is released with the GDP Price Index along with durable and capital goods orders. Weekly initial jobless claims are also released. Friday, the Federal Reserve's favored inflation gauge, the Core PCE price index along with personal income and spending data. Fed Chairman Jay Powell will also testify in front of the House and Senate for regularly scheduled testimony on monetary policy on Tuesday and Wednesday.

Market Scorecard:	6/20/2025	YTD Price Change
Dow Jones Industrial Average	42,206.82	-0.79%
S&P 500 Index	5,967.84	1.47%
NASDAQ Composite	19,447.41	0.71%
Russell 1000 Growth Index	4,064.58	0.55%
Russell 1000 Value Index	1,867.02	2.36%
Russell 2000 Small Cap Index	2,109.27	-5.42%
MSCI EAFE Index	2,575.17	13.85%
US 10 Year Treasury Yield	4.38%	-19 basis points
WTI Crude Oil	\$73.84	4.48
Gold \$/Oz.	\$3,368.39	28.34%



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

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