

## Beacon Weekly Investment Insights

Clearly, the outsized market event of last week was the non-farm payroll release on Friday. While expectations were for close to 1 million jobs created during the month of April, the release only showed a payroll gain of 266,000. This constituted the largest miss of expectations in history. While many sectors that were shuttered by the COVID-19 pandemic, like restaurants, bars, and other entertainment venues, saw gains, jobs were lost in transportation, warehousing, and professional services. While some may be concerned over this disappointing data, it is only 1 month in a series of data that is expected to be volatile, especially as we progress through the economic recovery. Also, last month's release for March payrolls was revised lower to 770,000 jobs from the initial 916,000 reported.

Financial markets took the data in stride however, with the S&P 500 and Dow Jones Industrials once again closing the week at record highs. For the week, the S&P gained 1.23% while the Dow added 2.67%. Both indices were led by the more cyclical sectors with Oil & Gas gaining 8.74%, Materials up 6.43% and Financials up 2.50%. On the contrary, the more growth oriented NASDAQ Composite index posted its third weekly loss, falling 1.51%, closing about 3% below its February record close. 10 Year Treasury rates, dipped sharply to 1.48% immediately after the jobs report, but settled back to 1.58% by the end of the day, down slightly for the week.

Why the rise in more cyclical equity sectors? Many investors may believe in the old adage of "bad economic news is good for financial assets". While the softer jobs data lends to this, we believe the volatile recovery data will allow the Federal Reserve to remain accommodative in monetary policy throughout the economic re-opening. Chairperson Jay Powell has continued to reiterate this stance in a number of previous press conferences, and after a data release like this, investors seem to be beginning to believe him.

Other economic releases during the week also lend support that the economy is on very good footing. Both ISM purchasing manager's indexes (manufacturing and services) were released and while slightly down from March, still pointed toward economic expansion. Consumer sentiment continues to be at high levels as well. We are also approaching the end of corporate quarterly earnings season. As of Friday, approximately 88% of S&P 500 companies have reported with an impressive year over year earnings growth rate of 47% and revenue growth of 10.1%.

This week will bring a host of important economic data including two inflation measures, the Bureau of Labor Statistics report on consumer price inflation (CPI) on Wednesday followed by the Census Bureau release of producer price inflation (PPI) on Thursday. Expectations are for a 3.6% increase year over year in headline CPI and a 5.8% increase year over year in headline PPI. Inflation has been a hot topic over the past few weeks in particular as commodity prices such as lumber, copper, corn, and energy prices remain elevated. The debate will continue to be whether these are more transitory price pressures as the economy reopens or more structural in nature. Also, we learned over the weekend of a ransomware cyberattack on largest US fuel pipeline, the Colonial Pipeline, causing a shutdown of the entire 5,500 mile stretch from the Gulf of Mexico to central New Jersey. This shutdown will put upward pressure on gasoline prices throughout the Northeast until the line is re-opened, hopefully in the coming days.

We end the week with retail sales data, a gauge of consumer health along with the University of Michigan's reading on consumer sentiment.

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<b>Market Scorecard:</b>	<b>5/7/2021</b>	<b>YTD Price Change</b>
Dow Jones Industrial Average	34,777.76	13.63%
S&P 500 Index	4,232.60	12.69%
NASDAQ Composite	13,752.24	6.70%
Russell 1000 Growth Index	2,584.27	6.45%
Russell 1000 Value Index	1,593.92	18.10%
Russell 2000 Small Cap Index	2,271.63	15.03%
MSCI EAFE Index	2,295.82	6.91%
US 10 Year Treasury Yield	1.577%	65 basis points
WTI Crude Oil	\$64.85	33.35%
Gold \$/Oz.	\$1,831.24	(3.53%)

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