

Beacon Weekly Investment Insights

The events of a week ago with the US military extraction of Venezuelan President Maduro and his wife is reverberating globally with both negative and positive reactions. During this past week President Trump has commented on many subjects starting with his priority to protect US interests in the western hemisphere including the control of the oil reserves in Venezuela, influencing the new government, encouraging energy companies to invest in the modernization of the Venezuelan oil infrastructure; potentially with incentives, scolding investment companies ownership of rental properties for profit though this is estimated to be less than 3% of the market, requiring defense companies not to deploy their free cash for dividends, buyback and excessive compensation but to spur innovation and speed production, not to mention his renewed desire to acquire Greenland in some fashion. The market has had to digest these wide-ranging geo-political issues in week one of 2026 including the anticipated Supreme Court decision on the legality of the President's tariffs which was expected Friday but never came. Fortunately, as investors we have come to expect these types of distractions only to have the administration walk back or alter their position. That's why our focus remains on the strength of the economy, manageable inflation, a more favorable monetary policy and corporate earnings stemming from efficiencies. In our opinion, these will ultimately drive markets. Equities broadly have moved higher year to date with the Dow rising 2.32%, the S&P 500 increasing 1.57%, and the Nasdaq 1.88%. It is interesting to note that, though early, the market is continuing its broadening across sectors, industries and market cap being led by cyclicals and small cap rising 4.62%. This is one of our predictions for 2026 and we have been positioning portfolios accordingly.

The week was packed with data releases that many investors expected would give them more clarity on upcoming FOMC rate decisions since the data would be more reflective of the real state of the economy post the government shutdown. What remains clear is the economy continues to show signs of improvement though manufacturing is stagnant below 50 for the 10th consecutive month but services showed improvement to 54.4. The focus on inflation to determine the path of interest rates appears to be supplanted by the slowing in the job market. Though the unemployment rate ticked down slightly continuing claims rose, hourly wages are flat, and companies remain hesitant to add or fire workers until they have more confidence in the outlook. Therefore, the Federal Reserve most likely is on hold in January and odds favor the next cut in June. This could all change on the expiration of Chair Powell's term in May depending on who the President appoints as his successor.

The upcoming week and December will see many market moving events beginning with bank earnings. JP Morgan will hold its healthcare conference that could eventually lead to further M&A as large pharma looks to fill voids for expiring compounds. Later in the month, there is the Davos Economic Forum where world leaders gather. This year President Trump will be speaking which should be of particular interest given the current global environment. December's Consumer Price Index will be on Tuesday. Expectations are that the November print of 2.6%, which many believe was skewed by the government shutdown, was not reflective of reality and the December number will show something closer to 3%. This too would support a pause by the Fed.

Market Scorecard:	1/9/2025	YTD Price Change
Dow Jones Industrial Average	\$49,504.07	3.00%
S&P 500 Index	\$6,966.28	1.76%
NASDAQ Composite	\$25,766.26	2.05%
Russell 1000 Growth Index	\$4,794.30	0.62%
Russell 1000 Value Index	\$2,142.03	3.40%
sRussell 2000 Small Cap Index	\$2,624.22	5.73%
MSCI EAFE Index	\$2,951.15	0.55%
US 10 Year Treasury Yield	4.18%	UNCH
WTI Crude Oil	\$59.12	2.96%
Gold \$/Oz.	\$4,490.30	4.07%

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